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1905

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## THE MANUFACTURER AND THE DOMESTIC MARKET

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BY EDWARD D. JONES, PH. D.

Junior Professor of Commerce and Industry, University of Michigan.

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### *American Domestic Market.*

The American domestic market is probably the most complex in the world. It has become so because it occupies the largest economically high-grade area under one political control, with a uniform language, system of weights and measures, trade customs and laws. In America there have been lacking the diversified agriculture, the household industry, the public market places and the inertia of custom, which, in other countries, have kept the domestic markets simple. Sharp territorial specialization has always characterized our industry. The different forms of agriculture, developed under an essentially manufacturing instinct, and compelled to specialization by the distance of the European market, have a clearly differentiated geography. The mining, lumbering, agricultural and manufacturing regions are singularly distinct. This has compelled an extensive internal exchange, to facilitate which adequate transportation facilities have been forthcoming; and it has necessitated comprehensive methods of performing mercantile functions, which the administrative genius of American industrial leaders has provided. The result of these forces in our national economy, as it finds expression to-day in the organization and processes of the domestic market, is too large a subject for an article.

There are many interesting and important tendencies which may be observed in the modern organization of the distributive industries. To one of these I invite your attention, namely, the tendency of American manufacturing concerns to take up a variety of mercantile functions, by means of which they are increasing their dominance in the domestic market.

*Manufactures Forty Years Ago and To-day.*

This movement, taken as a whole, is of recent origin. Before the Civil War manufacturers had very restricted control over the movements of internal commerce. There was no need for them to show special enterprise in securing supplies of raw materials, for the seller of the crude bounties of nature pursued the buyer. In the finished products market articles imported from foreign countries controlled, and the autocrats of commerce, if there were any, were the great importers, the so-called "merchant princes." The home manufacturers started with the humble rôle of supplying the lower grade of products. Prejudice was still strong against the home-made "style-goods," and much of the product of American factories went onto the market anonymously, or under misleading trade-marks, to be sold as imported goods.

The change of forty years has greatly altered the position of the manufacturer in the distribution of mercantile power. In the majority of modern national economies we find the most progressive industrial group to be the manufactures, the least so the extractive or raw material industries, while the mutually accommodative element is the mercantile. It is not difficult to mention some of the causes of the increased power of manufactures in this country. Manufacture (including railroad transportation, since the internal economy of a railroad resembles a manufacturing rather than a mercantile concern) possesses the advantage of being that form of industry which best utilizes inanimate forces in a country where power is cheap, and best allows an accurate division of labor in a country where labor is expensive. It has enjoyed the special advantage in this country of a high general average of intelligence and an unusual mobility of labor. There has been the negative advantage of an entire absence of prejudice against machinery, and the positive advantage of the unusual mechanical ability which characterizes Americans. When we couple with this the protective tariff, which has insured a large and profitable market and made all other forms of industry pay tribute to it, it can be readily understood that our manufactures have resulted in recent years in an enormous production of wealth, a portion of which has sought investment in promising types of industrial enterprise, and a part of it under the direct control of the parent concerns.

Not only wealth, but capable men, of constructive genius, have been produced in this branch of industry. In manufacturing, the applications of science are so numerous and convincing as to strongly develop the scientific frame of mind. The striking combination of factors of production opens the thought to large plans. The changes constantly required in machinery and processes impel the manager to progressive policy, while visions of the economy of production on a large scale attract him. The manager is in a training school for cultivating quick decision, figuring costs, managing men, freely laying out money where conditions justify, and grouping, combining and governing the productive factors. The result is that in and through our American manufacturing industries have arisen the "captains of industry," who have laid hands upon the undeveloped or loosely co-ordinated commercial functions wherever found and have developed them and assumed the direction of them.

#### *Struggle for the Control of Raw Materials.*

To take up our specific topic and define the controlling position which the manufacturing industries have secured over the domestic market, it will be convenient to divide the subject into three parts, conforming to three classes of markets, and to separate the causes operating on each.

For some time an effort has been made by manufacturers to more effectually control the source of supply of their raw materials. For those materials of which the quantity is relatively fixed, this has resulted from the definite development of sources of supply and the increase of manufacturing demand carried to such a point that the chances of accommodation on the open market are deemed by business managers to be precarious. As a result manufacturing concerns in many lines are anticipating their needs and are buying or have bought stocks of undeveloped materials, and are erecting exploitive works and establishments for preliminary manufacture. We find makers of soap and lard substitutes building cotton-seed-oil mills in the South. Pulp mills invest in pulp-wood lands; fertilizer manufacturers open phosphate-rock quarries; oil refineries lease and purchase oil lands. The change is already complete for anthracite coal and northern pine; it is just now being completed for Bessemer ore and western timber; it is rapidly going on for coking-coal,



non-Bessemer ores and southern pine. One of the striking signs of the advent of a new economic condition in this country is the rapid rate at which, during the last fifteen or twenty years, raw materials have passed out of the hands of small holders, who offered them upon open markets, into the hands of large corporations closely affiliated with manufacturing and transportation interests. To use an expressive phrase, there has been a scramble to prevent being frozen out. This has not been due so much to exhaustion of supplies as to the fear of their monopoly. It has therefore been immensely stimulated by the formation of great consolidated corporations, and by the increased use of holding companies, stock syndicates and harmony of interest arrangements.

With respect to raw materials which are readily reproducible, like wheat, cotton and wool, the policy of our manufacturers is not to own and manage agricultural and other industries. But the tendency is increasingly shown to pass by the great primary or terminal markets and the visible supply points on which raw materials were formerly secured, and purchase upon the remote local markets at which they first appear in commerce. There are several reasons to account for this.

In the first place, the imperfect and unorganized condition of many raw material markets has forced it. The effort of our manufacturers to produce finer products, coupled with the increased value of materials, and the closer specialization of processes, has compelled a sharper scrutiny of the supplies they purchase to secure purity and uniformity. The offering to manufacturers of poorly graded and mixed lots of materials has necessitated the substitution of professional for amateur local buyers, as in the case of wool. A poorly housed and protected product, coming onto the market water-soaked and stained, as often happens with our cotton, has favored direct shipments as opposed to the passage of materials through several markets with their delays. The agriculturalist is with great difficulty able to take initiative for the improvement of these conditions by commercial organization. As Prof. L. H. Bailey has said, "The farmer reacts so slowly to changes in his environment that after all other businesses have become adjusted he is still out of harmony with commercial conditions. Collective or co-operative movement among the agricultural classes is difficult because of the lack of common interests. Farming is not one occupation, but many



occupations." The American farmer has furthermore been engrossed in other things than the adjustment of markets. He has had laid upon his shoulders the great task of finding out the physical capabilities of a new country. Each region, climate, slope and soil has required countless experiments to explore. A stupendous investment of labor and capital has been and is being made in these experiments, the results of which will be enjoyed to remote generations.

A second force drawing the manufacturer into the raw material market is connected with the financing of the products of agriculture. The farmer is hampered by lack of ready money. The period of his turn-over is long; the fixed capital is large in proportion to the circulating. A considerable part of the spare money he has had has been attracted to investment in land. The statistics of unimproved land included in farms show that land is the chief storehouse of surplus agricultural wealth. Approximately one-half of the land included in American farms is unimproved. Under these conditions the farmer has sought money crops, and has been obliged to market as soon after production as possible. To secure adequate supplies of materials, therefore, some lines of manufacturing have been obliged to take direct part in the organization of a spot-cash market, on which materials would always be sure of sale at fair prices. Such materials are then rendered good money crops and hence attractive to short-handed farmers. An excellent illustration of the way in which this has been done by manufacturers is afforded by the various union stockyards of this country, in most of which the packing interests are prominent. The financial problem of accommodating the even requirements of a manufacturing plant for materials throughout the year to the necessity which the farmer feels of disposing of his crop at once, when it is matured, has been solved through the co-operation of several agencies. The early purchases of manufacturers involve them in speculative risks. The profit or loss showing of a cotton or woolen mill, or the milling profit of a flouring mill, often depends principally upon the correctness of the buyer's estimate of speculative conditions. There are also independent institutions, illustrated by the grain elevator companies, which aid in carrying speculative risks and controlling storage conditions. Furthermore, by the organization of produce exchanges, it has been made easy for the general public, through speculative investments, to assume a considerable part of the financial burden of carrying food-stuffs and other materials through the year.

A third force drawing the manufacturer upon raw material markets is railway competition. The result of intense competition for traffic has sometimes been that, in pursuance of a compact, a road has given substantial advantages to a large consumer when he has acquired the ownership of materials at the market of their origin, and is hence able to prevent their being diverted from the line at any competitive point and insures their routing as desired. The transportation arrangement may include both the outgoing and incoming traffic of a concern in an agreement permitting manufacture in transit. Between a group of competing roads manufacturing interests have occasionally obtained advantages in return for acting as traffic distributors. The classic case of this is in the early history of the Standard Oil Company. In these transportation struggles the manufacturer has been unable to keep aloof. The old-time free lance, the commission merchant, has been thrust aside; the raw-material producer has been confined increasingly to his local market; the manufacturer has taken up transportation worries and commercial functions unknown years ago.

#### *Elimination of Intermediate Markets.*

We now turn to a different type of buying and selling center, namely, that group of intermediate markets lying between manufacturing and on which the finished product of one establishment is transferred to another to be further elaborated.

From the beginning of the factory system in America there have been fewer of these intermediate markets than in Europe. In the older countries the introducers of machinery found already in existence a strong household and shop manufacture, including the preparers of materials, those expert in the various intermediate processes and the finishers. The factory system took possession of one process at a time and thus independent concerns grew up, each engaged in but one stage of manufacture, and between these there continued to exist many of the intermediate markets. In America the projectors of the first factories usually found the entire field open and the products imported, consequently they were obliged to provide simultaneously for all stages of production. Hence we find, for example, as a characteristic difference between the American and European textile industry that here the several processes of

scouring and combing, or throwing and spinning, weaving and finishing, are more often all controlled by one cotton, worsted or silk concern than in Europe.

Just as it began to be realized that there were disadvantages in the American system, particularly in the adjustment of production to a rapid succession of styles, the trust movement made itself felt and stimulated the process of combination in all branches of industry. The organization of consolidated corporations has had many effects. It has made profits for the organizers through, what Mr. Lawson calls, "made dollars." It has given us a highly centralized type of business administration to experiment with. It has substituted a system of delegated authority for individual initiative. It has eliminated some competition, substituting therefor emulation and the comparison of records, and it has changed the form in which competition manifests itself. It has secured certain economies of production on a large scale. But among its various effects there is one which has not been sufficiently noticed, and that is the elimination of intermediate markets. Complex manufacturing corporations have been constructed, involving not only former competitors, but businesses bound together in the sequence of production, capable of manipulating materials from their first appearance as economic goods until they are ready for the ultimate consumer, without at any time making them the object of purchase or sale. This linking together of processes in great corporations has coerced the independents to similar consolidation, through the fear of the monopoly of raw materials, to which reference has already been made. The movement has been, in this manner, made general, with the result that many series of consecutive establishments can now be found which are working into one another's hands within non-competitive groups. The blast furnaces have acquired ore properties, and steel manufacturers have in turn absorbed them and transportation facilities. Furniture factories have built saw mills upon their own timber lands. Cooperage works are owned by flour mills and whisky distilleries. Pulp mills and their spruce timber are owned by paper mills. The meat packers establish can and car works; the car builders operate linen factories; the reaper works control the manufacture of binder twine; the breweries engage in the production of malt. These combinations are made possible by the improvement in systems of cost-accounting and internal administrative methods.

They give the supplying plants certainty as to markets, the receiving plants certainty as to supplies and absolute control over their quality. Shipments to and from intermediate markets are unnecessary, and the expenses of traveling salesmen, dealers, advertising and the waiting period of the market are all eliminated. In short, for the uncertainty and expense of competition is substituted the economy and exact calculation of a system of book-keeping.

Before leaving the subject a word should be said about an entirely different operating cause which is at work to withdraw many businesses from intermediate markets. This is the application of science to the utilization of wastes. The growth of large concerns has often made the quantity of mill supplies and advertising materials, packages, etc., so great that subsidiary industries can be profitably started in the interest of a single corporation. Repairs also become important enough to warrant the erection of well-equipped shops. In a like manner the accumulation of large quantities of waste products in concerns of efficient management, equipped with scientific laboratories, and possessing the capital necessary to put through any logical extension of the business, has given rise to a great variety of by-product manufactures. These allied businesses are owned and managed by the principal concerns, and receive their materials without purchase from them. They have been able to offer very effective competition on the finished products market, and so to command attention to the commercial principles which they illustrate.

#### *Approach of the Manufacturer to the Consumer.*

Let us pass to the third main division of the subject and consider the attitude of the manufacturer toward the finished products market. It may be observed that while there is a great difference in the policy pursued by large concerns, and we may find plate-glass jobbed, meat sold from subsidized shops and Standard oil hawked upon the streets, many of the consolidated corporations which have acquired large control over the market do not attempt to invade it directly or supplant dealers in the performance of mercantile functions. These rather content themselves with exercising power over prices and the terms of sale by curtailment agreements, price pools, joint selling agencies and other more direct means. The greatest invasion of the mercantile field in the distribution and sale



of consumers' goods occurs under the influence of strong competition between manufacturers, and especially where this meets a more or less obstructive conservatism, not to say inefficiency, in the regularly constituted agencies of distribution. Of the positive force, the competition between manufacturers, it will not be necessary to say anything; of the negative condition, found in the inertia of wholesale and retail trade, a few words may be in place.

Confining our attention to the retail trade, for the sake of brevity, we must at once make an important admission. In this field there has sprung up the remarkable institution known as the department store. These establishments, dealing directly with manufacturers, willing to engage in want creation, and increase the volume of business by advertising and price reduction, willing to accept new goods of merit because understanding the profit of novelties, and having a clear grasp of the principles of merchandising, have not only been able to serve the consuming public well, but have been satisfactory distributive agents for manufacturers. The rank and file of the million or more proprietors of retail stores have, however, been unsatisfactory to such manufacturers as have been chafing for better outlets under the stress of competition. The average retail store proprietor has too easily accepted as unsurmountable the apparent limitation of his local field, and has often been caught in the infinite detail which characterizes the business and rendered by it incapable of constructive commercial policy. Competition has choked many who are lacking in ingenuity, for retailing is a business easily entered on a small scale and competition in it, almost more than in any other type of business, takes the form of simple multiplication of concerns and division of trade. More than anything else, however, the business of retailing, as a whole, has been held back by confusion of mind as to the proper policy—the economic laws, so to speak—of the business. This confusion may be partly accounted for by the extreme variety of establishments which fall under the general caption of retail institutions, but the chief explanation lies in the recent history of American trade.

During the period of the Civil War, and the immediately subsequent years, there was such a scarcity of goods that overbuying was almost impossible and the check upon buying, always so essential in normal retail trade, did not seem so necessary. For a long period prices rose with such rapidity that the profits of a rapid turn-

over of capital paled beside the estimated profit of appreciating stocks lying on the shelves. Under these conditions it was natural that the merchant should treat his customers with indifference. The fluctuation of values made price publicity and a policy of fixed price impossible. Dickering and bargaining became a natural accompaniment of all important sales of goods. In the settlement of accounts long credits were not found to be very dangerous. Recent years have reversed all of these conditions, and hence have demanded an entire reversal of policy. The generation which did business in the previous period has been put at sea, and there has been established a confusion of principles penetrated, until the last few years, only by a few of the stronger minds. The result has been to cramp the growth of the retail industries as a whole, and render them unsatisfactory to the manufacturers as the distributors of their products.

The invasion of the realm of the retailer has been made by the manufacturer in several ways: by establishing a mail order trade and eliminating dealers entirely; by distributing through the dealer, but absorbing many of his functions and controlling his actions; and finally by the ownership of retail establishments.

#### *Direct Selling.*

When a manufacturer has been met with unwillingness on the part of the dealer to educate new wants in the public, and a refusal to stock and introduce new goods, he sometimes appeals directly to the consuming public. Direct selling has always had a considerable field. Natural monopolies of necessity use it. Producers goods, such as leather, billet steel and boilers, are usually sold in this manner. Neighborhood manufactures, such as custom mills, and manufacturing retailers, such as bakers and tailors use it. The country at large is familiar with the canvasser. As important as some of these lines of distribution are the great modern development of direct selling has come with the perfecting of its chief instrument, advertising. So great is the progress made in the arts of publicity that the entire complexion of trade has been changed by it. Advertising is often spoken of as a science. It is certainly a complex and powerful engine. The development of the arts associated with it, that is, printing, and especially illustration, has increased its

potency. The vehicles which convey it to the public are numerous. The weekly newspaper is largely supported by it. The low-priced magazine of our day exists because of it. Through it house organs are built up, scarcely distinguishable from independent scientific and trade publications. It counts in its service the bill board, the dodger, the sample, the catalogue of encyclopædic proportions, the commercial package and the follow-up system. Its technique has been carefully considered, and the statistical study of circulations has been made the basis of a profession. Even its psychology is being explored in college laboratories. There is no need to enlarge on the extent to which advertising has been applied by manufacturers to direct selling. The examination of any popular magazine will be convincing. As a method of distribution this affords a manufacturer an outlet independent of the will of any dealer. It serves well to introduce new articles, and trade built up by it can be used as a means to bring pressure to bear upon dealers.

*Control of the Dealer.*

It is not always, however, in attacking the market that a manufacturer is willing to cut loose entirely from the established distributive agencies. Many articles cannot be readily sold by mail order. A way has therefore been discovered by which the manufacturer can distribute his goods through the dealers, and still so control every important part of the distributive process that the dealer is reduced almost to the condition of an automaton. When he is in complete command of his entire field the retailer is perhaps the most universal servant of industrial society. His functions are both varied and intricate, blending a mechanical element with the art of personal service; controlling a flow of goods involving endless detail by a system the correct formulation of which is a masterpiece of commercial statesmanship. The task of the retailer is to furnish the consumer goods wanted, at the time and in the quantity and place desired. He chooses his stock from the infinite variety of manufactured articles. He educates the customer to new wants, making known to him new goods and showing their use. He advises with him in his purchases that the adjustment of the want, the goods and the pocketbook may be as perfect as possible. He makes the buying process easy and agreeable for his customers. He protects



his merchandise from deterioration. He guarantees it to be as represented, putting his reputation behind it. He measures it out in quantities convenient for the customer, puts a fair price upon it and delivers it.

Now consider how many of these services can be rendered by a manufacturer. Take the case of the sale of a spool of photographic films. The manufacturer puts the article in a form ready for immediate use. He furnishes a package which protects the goods and shows the size, quantity and age, besides carrying a guarantee and serving as a memorandum of exposures and a cover for mailing. A pamphlet of instructions is given away by the manufacturer who advertises extensively to attract trade. The price is fixed and is everywhere the same. If you look for the goods in a strange city, you will probably be guided by a sign furnished to the dealer by the maker, and you will be attracted by large photographs, from the same source, to show the range of work possible. As the films must be developed, the company offers to do this, but it also puts on the market a simple apparatus and all the necessary chemicals. The value of the films depends largely upon the possibility of obtaining them in travel, consequently the makers have established agencies in almost every important locality in the world. In the solution of this distributive problem, which was unusually complex and difficult, the manufacturer has originated all the plans, done all the work and controls all the essential conditions. The most ignorant clerk can quickly learn all that remains to the retailer to be done. The inventive genius and advertising talent shown by leading American manufacturers in putting their goods upon the market are certainly remarkable. By advertising, with the powerful individualizing agency of the trade-mark, by sample distribution, by demonstrations at the consumer's house or the merchant's place of business, by exhibits at universal expositions, the manufacturer educates new wants in the customer and makes known new goods. By explicit printed directions, in several languages perhaps, and accompanied by ingenious pictures, he so clearly shows the use of the goods that the advice of the dealer is rendered unnecessary to a person of any intelligence. By the use of a package, perhaps air tight or moisture proof, the dealer loses all credit for keeping goods in presentable condition. As the customer knows, when he opens the package, that it was closed at the factory, he feels that

responsibility for its quality is removed from the dealer; and when with the package there is a strong and carefully emphasized guarantee, the dealer sinks into a mere agent for the transfer of any complaints to headquarters. Personal relations of customer with dealer are in this way weakened, and the more so since the customer realizes that in any store where this article with its identifying trade-mark can be had, an absolutely identical good is found. The package, furthermore, does away with the necessity of weighing or measuring, and it usually carries prominently marked upon it a price which sets a maximum upon the charges of the dealer.

This incursion of the manufacturer into the province of the dealer has been disadvantageous to the latter in several ways. In the first place, it has reduced the portion of the profit which the manufacturer leaves to the dealer, for with every function which the manufacturer takes up he makes a corresponding reduction in the profits allowed the retailer. Again, it sharpens the competition of dealers in the same line. The use of packages and trade-marks has, in a few years, vastly increased the list of goods which can be recognized by customers as identical in different establishments. The significance of this lies in the use of leaders and other forms of price competition. A leader, in retail trade, is a line of goods put on sale at a very low price, to attract the attention of the public and impress upon it the idea that the establishment in question has very low prices in general. There is no direct profit in leaders to the trade, since they must be sold at or near cost. Now those articles serve best as leaders which can be identified by customers as absolutely the same in different establishments, because this identity gives force to the price difference. If there were not identity the customer and the higher priced dealer could easily claim that the difference in quality accounted for the difference in price. Consequently the widely advertised goods which carry trade-marks everywhere known, and which are bought by most dealers, all of them serve more or less as leaders. That is to say, many of them do not yield satisfactory profits, unless specially protected, because of the directness of the competition of dealers with respect to them. The manufacturers have also created a new form of competition between dealers in different lines of trade. The majority of retailers have handled a restricted group of merchandise, as drugs, shoes, hardware or dry goods. There are many articles which cannot well be

sold by one not expert in the business. The druggist could probably not explain the operation of certain tools; the dry goods merchant would be dangerous as a compounder of prescriptions. Within certain limits, therefore, stores in different lines have not competed directly. There has always been, however, a class of goods so easy to sell that they have been carried by dealers of all sorts as side lines. The manufacturers have now succeeded so well in rendering the retailing of many of their wares simple, that they have vastly increased the list of articles which any dealer, regardless of his line, can sell. The consequence is that dealers of all types are introducing side lines taken from each other's field of trade. Reprisals are everywhere made, and so the number of competitors with whom each dealer has to reckon is increased. The manufacturer, by direct selling to large retailers, whether they be department stores or mail order houses, has put the small dealer, who depends upon the jobber, under a great disadvantage. This compels the jobber and semi-jobber, with the various classes of syndicate buyers, to take part in the confused competitive strife now prevailing in the distributive trades.

In this struggle, for which the manufacturers are largely responsible, it is interesting to see that appeals for help are made to them by the dealers. These appeals, through trade associations and otherwise, take the form of requests that the manufacturers should control the retail price at which their goods are sold, and in so doing protect and regulate the profit which the dealer is to receive. There has been considerable response to these appeals, since the manufacturer has a direct interest in the soundness and profitability of the business engaged in distributing his products.

From this has resulted a variety of plans by which the manufacturer can regulate retail prices and profits. One method is through the establishment of Exclusive Agencies. By this I do not mean the practice of giving an extra cash discount to dealers who handle no rival goods, a practice pursued by some concerns which are trying to perfect a monopoly, but I refer to the plan of choosing a dealer as agent in each market and making it impossible for his near-by competitors to secure the goods in question. The retail exclusive agency is the application of an arrangement long common between manufacturers and jobbers. The manufacturer regulates the price at which the goods are sold, and, since the outlets are

restricted in number, keeps up an aggressive advertising campaign to drive trade to them. Some articles sold in this way are tools, prepared paint, men's linen, dress patterns, shoes and silks. The exclusive agency prevents goods from being made common upon the market as leaders, and this pleases a certain exclusive element of the buying public. Its chief service, however, is to limit competition by providing one dealer only with the goods on each market.

A second way of regulating retail profits is by means of a Price Contract. This involves an agreement regulating the selling prices and signed by manufacturers, jobbers and retailers. Such agreements have been freely used in the sale of patent medicines, under the name of the N. A. R. D. plan, from the National Association of Retail Druggists. When there is printed upon the goods or their labels directions as to retail price and terms of sale, and these are worded to form a contract with any dealer who may purchase the goods, the arrangement is known as the Worcester plan. In the attempt to enforce these contracts by law, different interpretations have been encountered in various courts. In Massachusetts the Supreme Court has held that the fixing of the price of proprietary medicines is not contrary to public policy, and that as between the manufacturer and dealer the acceptance of goods billed makes the printed contract on their labels, regulating distribution, binding on the dealer as a part of the contract of purchase. In Rhode Island and Pennsylvania it has been held that the mere purchase or acceptance of goods by a dealer, without specific assent to a contract printed on them, does not bind him. Price contracts have been used freely in the sale of patent medicines, books and in the case of at least one celebrated brand of soap.

A third means of regulating prices, known as the Factor or Rebate Plan, is more elastic than the price contract. It has been used chiefly between manufacturers and wholesalers, but is equally applicable to retailers. According to this arrangement, after the proper contracts have been made in writing, a manufacturer sells to a dealer at a certain open price, giving the usual rebates for cash. It is agreed that the dealer shall sell at a given price, and the difference between this and the manufacturer's price involves a small, but unsatisfactory, profit for the dealer. At the end of a given period, say, six months, the dealer makes an affidavit to the manufacturer that he has not sold his goods at less than the mentioned price,



thereupon the manufacturer pays to him a per cent. of the original purchase price in the form of an extra discount, which, added to the direct profits of sale, makes the transaction remunerative to the dealer. The contract establishing these relations is so devised as to take the form of creating the relation of principal and agent between the manufacturer and dealer. The dealer is not bound to sell at a given price, but he is paid a bonus when he does so. The rebate plan has been most prominently applied in the sale of sugar. The so-called Whisky Trust at one time used it. It is now used in a number of the lines handled by grocers, such as soap and baking powder. The Pittsburg Plate Glass Company employs it.

Probably the most effective of the means now in use for regulating retail prices is called the Serial Numbering Plan. As used by a prominent manufacturer of medical preparations the plan involves, first, an exclusive system of distribution. Only authorized wholesale houses handle the goods, and they are under contract to sell only to the retail agents of the company. Every retail dealer, before he can purchase the goods, must sign a contract by which he becomes an agent of the manufacturer, and agrees not to sell the medicines to any other dealer who is not an agent at any price whatever, and to sell to others only at the authorized retail price. Second, the system provides a means of keeping track of goods. Each dozen of bottles sent to the wholesaler bears a certain consecutive number, and with it is a postal card having stamped upon it the same number. When the goods are sold by the wholesaler, he sends the card to the manufacturer with the name and address of the dealer to whom sold and the date. The retailer must not sell or otherwise dispose of a bottle until his firm name has been plainly written or printed across the face of each wrapper. By this means if a bottle of the preparation is anywhere sold at less than regular prices, and the manufacturer can ascertain the serial number, he can trace out the responsible agent. The latter, on proof of price cutting, becomes liable to the company for specified liquidated damages.

#### *Ownership of Retail Establishments.*

We turn finally to the last of the methods by which the manufacturer is making his power felt upon the finished products market. This is by the direct ownership and operation of retail establish-

ments. As a method of distribution this innovation is as little subversive of the usual equilibrium of trade as any irregular method. Each establishment takes its place simply as one among other competitors.

Let us consider the actuating motives as they present themselves to various classes of manufacturers. Take, for example, the sewing machine makers. In the sale of certain kinds of goods a somewhat elaborate demonstration is necessary, and, after sale, occasional repairs, both of which require the presence of an expert more skilled than the average storekeeper. Experience shows that these experts are best chosen, trained and superintended as direct agents of the manufacturer. When sales made in this way are of sufficient density to warrant the permanent location of an agent in a neighborhood, and when the articles are sufficiently attractive to make the opening of a public place of business with a stock room worth while, the system of traveling agents gives place to permanently located retail agencies. The firm controlling the largest number of retail agencies in this country is probably the Singer Company, which has eight hundred stores in the United States, besides many in other parts of the world. Automobiles, safes, phonographs and typewriters are sold in part by this system.

The case presented by the sale of carriages, wagons, plows and agricultural implements, generally is very similar to the above. Here an added motive for the direct control of retail agencies lies in the economy of shipment by car lots. An agency, because it pushes the make for which it was established and carries a full line of the goods, is able to take a larger proportion of its supplies from the factory in car lots than the average independent dealer. If, therefore, the goods to be distributed are very bulky, so that the question of car lots is important, the establishment of a few agencies in the chief markets may be profitable, because they will be able, through their own sales, to take goods in car lots, and they will also serve as transfer houses in distributing supplies to smaller markets. If numerous agencies are desired, to penetrate and hold a field, the expense may be lessened by selling the goods of other makers on commission. If the establishing concern makes plows, its agencies can add on and sell goods germane to a plow agency, such as reapers, wagons and carriages. By selling on commission car lots of assorted goods can be frequently sent out, keeping the stock fresh without overloading the agencies.

The direct retailing of shoes presents an entirely different case from that of agricultural implements. The general buying public has recently become familiar with retail establishments, owned by manufacturers, and which are stores in the usual meaning of the term. They are not as yet very numerous, and their establishment is not stimulated by any of the advantages which we have just considered. They are not practicable, except for goods which can be successfully sold by themselves in specialty stores (that is, they are impossible for articles like sugar or saws), and in this fact of depending upon specialty sale they meet their strongest check for the prevailing tendency which has originated among retailers, is integrating in its nature and is expressed in the department store. Furthermore, a system of retail stores operated by a manufacturer cuts him off from distribution through independent dealers, for the dealer will not buy of his rival in trade. There are arguments, however, which have apparently been deemed convincing to many manufacturers. A chain of stores absorbing the output of a factory, affords an independent outlet entirely free from the control of jobber or retail dealer. The maker also, by coming into direct contact with the customer through his agencies, has the benefit of the direct criticism of the user. He can from week to week follow the changes in demand as they effect styles. He can to some degree avoid the intensity of rush seasons and the idleness of dull ones in his factory by supplying his stores evenly throughout the season. The dominant argument in most cases is, however, undoubtedly the fact that it is only through the ownership of retail stores that the full profit of an extensive advertising campaign can be realized by the manufacturer. By means of retail stores he takes all of the highest retail price which the force of his advertising will induce the customer to pay. The stores themselves also are an advertisement. The independent dealer always wants his own name over the door. The manufacturer's store exerts its entire force as an harmonious element in the general scheme of publicity which is being followed. This principle which makes the store one means of realizing the profit out of the modern gigantic campaigns of advertising, helps to account for the shoe stores of Douglas and Means, the forty-five of Bliss & Co. and the twelve Crawford shoe stores. It applies to the Knox hat stores. Together with the desire to intrench a monopoly, it explains the policy of the American Tobacco Company



in effecting distribution through the United Cigar Stores Company and other firms.

It is worthy of notice that there is a tendency at work which in the near future may lead to an increase in the number of stores owned by manufacturers or combinations of them. This is connected with the growth of advertising. When a few manufacturers only are conducting strong advertising campaigns, they are conspicuous because they are the exception. When a large number of competitors besiege the public the conspicuousness of any one is lessened by the eagerness of all. We have, in this country, in a generation been introduced into an age of advertising. The very great advertisers are yet conspicuous because they are not numerous. But when the time comes, as it appears to be coming rapidly, that the multitude of great advertisers in any single line is so large that the average consumer is bewildered, then the retailer may again perform the service he once performed; he will choose for the customer and the customer will follow his advice. Under such circumstances, unless monopoly or some other combination of factors intervenes, the manufacturer will feel a strong motive to directly control retail establishments, and so get a step closer to the consuming public than advertising will bring him, and, if possible, distance his rivals.

#### *Conclusion.*

In conclusion let me recall briefly the chief points in the situation I have tried to picture, which is one phase of our evolution from a raw material producing to a manufacturing nation. Because of its natural strength as a form of industry, and because of special advantages accorded it in this country, manufacturing has in recent years greatly increased its dominance in domestic commerce. In the raw material market this is shown, first, by the increased ownership of materials of fixed quantity, stimulated by the fear of monopoly and the trust movement. Second, for materials easily reproduceable it is shown by the advent of the manufacturer on the market of origin and the causes which have brought him there are, the unsatisfactory condition of materials offered, the necessity of taking part in financing the movement of raw materials and railway competition. The intermediate markets we have seen are being depleted by the withdrawal of manufacturing concerns from them,

which either became parts of non-competitive groups during the period of trust formation or have become attached to other industries as by-product or waste-utilizing manufactures. On the finished product market the dealer has been eliminated from some lines of distribution by direct selling, which advertising has made possible, or by the ownership of retail stores, the function of which is to secure to the advertiser all of the profit his advertising will create. In other lines of distribution the retail dealer has been deprived of many of his functions by the use of packages, trademarks, guarantees, printed directions and advertising. This has resulted in a smaller margin of profit for the dealer, and sharper competition because of the increase of leader goods and side lines. In his extremity the dealer has besought the protection of the manufacturer, and the latter, in many lines of trade, now dictates the retail profit and protects it by exclusive agencies, price contracts and the factor and serial numbering plans.

I have no wish to overemphasize the tendencies I have presented. Many of them are not as yet prevailing tendencies, but if all of them taken collectively establish the fact that manufacturing in this country is assuming an increased range of mercantile functions, it is a subject worthy of serious study. It involves the internal economy of businesses because, up to this time, it has been an axiom of trade that it is dangerous for a business man or a corporation to undertake two kinds of business the fundamental principles of which are entirely distinct. It involves also larger considerations of the national economy because the three great categories of industry, agriculture, manufacture and trade have in the period previous to this been distinct, and a change in the domestic market more fundamental than the coalescence of two of these or the dominance of one by the other would be hard to imagine.

## APPRAISEMENTS

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BY HERBERT G. STOCKWELL, C. P. A.,

President of the Audit and Appraisal Company of America.

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To obtain a clear understanding of the scope of this semi-technical business, it will be convenient to begin by defining the legal terms involved. To appraise is to value; to estimate the worth of; and an appraisal is a just valuation of property. Appraisements are required by law to be made of the property of persons dying intestate, of insolvents and others, when an inventory of goods ought to be made and a just valuation put upon them. An appraiser is one who sets a value upon goods; a person appointed and sworn to estimate a fixed value upon goods or estates; one who appraises or estimates worth of any kind, intellectual, moral or material; specifically a person licensed and sworn to estimate and fix the value of an estate.

Appraisers are appointed by the court in special cases coming before them, such as cases to fix the value of estates. These appraisers' duties end with the making of an inventory and appraisal of the property belonging to the estate. There are also standing officers appointed by the municipality, such as mercantile appraisers, whose duties consist in fixing the value of a business for the purposes of taxation; also custom house appraisers who place values on imported articles for the purpose of fixing the amount of duties to be collected on articles passing through the custom house.

The business of making appraisements is not connected with the courts or court business except so far as appraisers may be appointed by the courts from the staff of appraisal companies. The volume of the business comes from corporations and firms who desire an outside independent opinion of the values of their assets and from investment syndicates or companies who require an investigation of the plant or enterprise offered to them to finance. The making of appraisements as a vocation is related to the business man

much as is the work of the auditor or expert accountant. The appraiser and auditor are both experts in their line of business, whose services may be obtained by the public.

The handling of large matters requires capital in this line of business as well as in mercantile and manufacturing pursuits; thus the business of auditing has produced audit companies and that of appraising has produced appraising companies. As will be shown later, the proper examination of corporations calls for the services of both the accountant and engineer, so that these occupations, naturally closely associated, have been combined in a single organization.

Appraisements are made for the following purposes:

To charge the proper amount to receivers, trustees, executors, administrators and guardians.

To ascertain the proper amount of depreciation.

To fix the amount and value of a manufacturing plant in consolidation or mergers.

To ascertain the amount of cost of reproduction in case of fire, and incidentally to fix the proper amount of insurance.

To ascertain whether the materials consumed in industrial plants have been properly charged and thus to test the accuracy of book accounts.

To properly close business books; the exact value of stock on hand being ascertained for this purpose.

The expert accountant cannot alone audit the earnings of any business. The expert appraiser and the expert accountant must work together.

An appraisalment is an expression of an opinion in the terms of money. All articles of commerce are thought of with regard to their value in dollars and cents. No man can know the exact amount of money which he can obtain for merchandise until he actually sells it. The actual value of assets is the amount which they will realize in cash.

The exchange of money into goods and the subsequent exchange of the goods back into money constitutes trade and commerce. If the business man who parts with his money in exchange for goods is able to complete the re-exchange into more money than he had originally, he has made a successful business transaction. The object of an appraisalment is to ascertain the true position of a business by estimating the amount of cash which would be realized if the business were closed out and the assets converted into cash.

Appraisements are based upon an estimate of value. The natural prejudice which men have in favor of their own possessions, makes it difficult for them to express an unbiased view of the value of their assets. The expert appraiser is one who from his experience in calculating the value of things, can estimate without prejudice the realizable value of business assets.

While the ascertainment of the cash value of assets is the object of appraisements, it is not always based upon the immediate cash value. In a going concern the value of buildings and machinery may be much greater to the business as a going business than they would be if torn down and sold immediately. In such cases the true basis for appraisal is not the actual cash realizable, but the value of the assets to the plant as a plant. It is largely a question of deducting the depreciation from the original cost. If a machine cost \$1,000 it is worth \$1,000 to the business, less the amount of wear and tear to which it has been subjected since it was purchased. The appraiser calculates the amount of life left in the machine at the time of his appraisal, and that is the basis of his appraisal. The \$1,000 machine if sold the second day after it was set up would sell as a second-hand machine, and its cash value would be much less than its cost price the day before.

#### *Appraisements for Proof of Loss by Fire.*

Appraisements for fire insurance purposes calls for another basis of values. After a fire, appraisements must be made to fix the amount of loss. With few exceptions, fire insurance policies are issued in what is known as the New York Standard Form. In the contract under this form the insured is required within *sixty* days after the fire to make a detailed inventory of cash and all the articles on which he claims partial or total loss. He must set out the cash value of each item and shall furnish, if required, verified plans and specifications of any buildings, fixtures or machinery destroyed or damaged. Many business men find difficulty in making a detailed inventory after a fire. While their books may show the total cost of the entire plant, the bookkeeping method usually employed do not afford much assistance in listing the items of articles destroyed. To guard against this difficulty, the forehanded business man has the appraisal made before the fire occurs. The expert appraisers



are called in to make a scheduled list of every article in his place of business; where factories are appraised usually floor plans are made showing the location of every machine of importance.

The basis upon which the inventory for fire insurance purposes is made, is the cost to the insured to replace the articles destroyed, including the first cost, the freight and cartage, and the labor of putting the article in position. Whatever the cost may have been originally is not important. The inquiry is directed to the cost of replacing the article at the time of the appraisalment. A manufacturing plant may have been erected when the price of building materials and machinery were lower than the average market price. At the time the appraisalment is made, the similar materials and machinery may be very much higher in price than the amount of original cost. The appraisalment in such cases may produce higher values than the actual cost of the plant.

The question is not, "For what amount can these buildings and materials be sold?" It is rather directed toward the cost of rebuilding and equipping a plant in as good condition as it now stands. This basis is made necessary by the insurance companies who, under their contract, have the option of paying cash for the articles destroyed, or to repair, rebuild or replace the property destroyed with other of like kind and quality within a reasonable time.

#### *Appraisalment in Conjunction with Audits.*

When an auditor begins an examination of a corporation's books, he usually counts the cash on hand and verifies the balance in bank. If the corporation holds stocks and bonds as an investment, the auditor will verify the existence thereof by actual count. It is rare, however, that he takes account of stock on hand or calculates the actual value of the building or machinery. The reason is twofold: first, the management objects to such an inspection, claiming that there can be nothing wrong with the stock or other plant assets; second, very few accountants have the ability or training to do such work.

The auditor can certify that the financial statements of the company agree with the books, and in many cases the auditor confines his certificate to some such expressions, but where there is a question of earnings or where the true worth of a plant is sought, the account-

ant, as a rule, cannot conscientiously certify thereto without the assistance of expert appraisers. There is really no more reason why an accountant should count the cash than count the stock, except that it is easier to verify the actual cash than to inventory and value the stock. A question of ease cannot affect or destroy a principle.

In past years the accountant's services have been used chiefly to detect petty defalcations, but of late, accountants are relied upon to do more than this, and, whether justly or not, the actual fact depending upon the terms of the accountant's employment, the investing public believes that when an accountant certifies to the correctness of the books he in reality is certifying to the fact that the books show the true financial position of the company under examination.

#### *Audit of Earnings.*

While the audit of the books of a corporation will disclose and uncover many irregularities and falsifications, if they exist, the earnings of a corporation cannot be satisfactorily ascertained merely by checking up or auditing a set of books. Concealment of operating expenses is frequently accomplished by the failure or omission to charge to the operating expense accounts all of the supplies and materials actually consumed. If the officers of a corporation wish to make a good showing, they can neglect to enter on the books many items of expense and the omission may not be detected.

In a traction company it is customary to charge to supply account a large number of small articles which are purchased to be used when required. If the books are properly kept, the proper expense account will be charged with each and every article taken from the storehouse and used in the maintenance of the road. The supply account is credited with the amount charged to the expense accounts and the balance in the supply account should always equal the amount of supplies on hand. If articles are actually used and not charged to the expense account, the result is a false statement of affairs. First, the operating expenses have been understated; and second, the assets on hand have been overstated, since the supply account is carried on the balance sheet as an asset. Then again, supplies consumed may be charged to construction account and not to maintenance account. In such a case, a thorough detailed audit would probably reveal the misdirection of the charge, but it might

not reveal the omissions, as the entries would not be in the books at all. At all events the accountant would have to go into much greater detail regarding the records of the supply room than is usually done, and there he might or might not find the accounts kept in such a manner as would enable him to trace misdirections and omissions.

The expert appraiser would take an account of all the supplies on hand. If the supplies were being consumed without the proper entries being made, the total of the amount on hand would be less than the amount called for by the supply account. Where supplies were being consumed in maintenance and improperly charged to construction, they would also be disclosed by an expert examination of the plant.

The corporation officers may not desire to show the full amount of the earnings of a company. A secret reserve may be accumulated without the knowledge of the auditor. The books may be carefully checked up and yet the stockholders may be improperly denied dividends actually earned. This is accomplished by several methods, one of which is charging off too large an amount for depreciation. Another is to charge expense accounts with items of capital expenditure. Such methods are used for stock jobbing purposes and are facilitated by the auditor's certificate that he finds the books correct. The appraiser examines the buildings, machinery, supplies and materials, and the auditor examines the books. A joint examination by the two experts is absolutely necessary to fix the true earnings of a corporation.

#### *Over-Valuation of Plants.*

Where the assets of a manufacturing plant are overvalued on the books, how can the expert accountant detect it? It is not his function to examine the physical assets. This duty belongs to the expert appraiser. The public does not seem to realize that the books of a corporation may be in fine condition so far as the bookkeeping methods and customs go, and yet the corporation may in reality be bankrupt. The certificate of the accountants that the published reports agree with the books is taken to mean more than it says. Some of the recent industrial collapses were preceded by statements showing the affairs of a corporation to be in good shape. These statements contained the accountant's certificate and yet the corporation bubbles collapsed. All accountant's certificates should be

scrutinized to see whether they state that the assets are worth all that the books call for.

A small railway company was examined by order of a committee of bondholders. The books were carefully audited and found to be in proper form, and so far as could be seen by the accountants, were correct. On the balance sheet appeared an item of \$100,000 called "supply account." The account supposedly represented the amount of miscellaneous supplies on hand not yet used in the operation of the railway. In railway bookkeeping the operating expenses are divided into various classified expense accounts and the cost of articles consumed in the operation of the road is charged to the expense account according to the expense classification. It is the custom to purchase supplies ahead of the actual needs and charge the cost of such articles to a general supply account. When the articles are actually needed they are taken from the store-room and charged to the proper account, at the same time being credited to supply account at cost. The result of this method is to show in the balance of the supply account the actual amount of unconsumed supplies.

In the case of the company under examination the supply account stood on the ledger as an asset of \$100,000 and, so far as the accountant could discover, the books were correct, but he asked that an inventory be taken of the supplies as a precaution against a possible overstatement of earnings on the books. The inventory revealed a shortage in the supply account of \$47,000. In other words, instead of having on hand the \$100,000 that the books called for, the store-room contained as a matter of fact a total of only \$53,000. The investigation that followed disclosed the fact that large amounts of supplies were consumed every month without being charged at all. If these supplies had been properly charged to the operating expenses, the earnings of the company would have shown \$47,000 less, but the management did not want the earnings to show less than reported and this was their method of inflating the earnings.

In another case where the plant was offered for sale, the books were carefully audited and certified as being correct, but an appraisal of the plant made shortly after by experts showed that the value of the plant carried on the books was about three times greater than the real value. The balance sheet showed a prosperous condition according to the books, but the adjusted statement of assets revealed an insolvent condition.

The expert accountant's certificates in such cases are not worth so much as the public apparently believes. The true condition can only be discovered by an audit in conjunction and concurrent with an appraisalment.

#### *Appraisalment Methods.*

The business of making inventories and appraisalments is conducted by a staff of experienced experts in general machinery and construction. A mechanical engineer, builder, draughtsman, clerks and trained mechanics constitute the general staff, and these men are competent to inventory and appraise all ordinary buildings and machinery. In cases of special machinery or construction, a proper understanding of which calls for extended experience in special lines, the special staff is called upon for experts familiar with the particular kind of machinery under examination.

This special staff consists of experts experienced in special technical lines, and men of recognized authority in their own fields. Arrangements are made with such men by which their services can be obtained as required for a *per diem* compensation. As an illustration: In a stove foundry the style of stoves changes frequently. New patterns are constantly required, the old patterns becoming obsolete. The men on the general staff can inventory all the machinery, tools and fixtures, and appraise everything excepting the patterns and the manufactured stock of stoves. It requires a man experienced in a stove business to properly value these things.

When an appraisalment of a manufacturing plant is contemplated, and the proprietors wish to know the cost, the appraisalment company sends a representative to go over the plant. He estimates the time required to take down each and every article and put a value upon it, and he determines from the nature of the plant the kind of men required to do the work. After this calculation is made, the price is fixed and if accepted, the work is begun in due course.

The circumstances surrounding each plant call for variations in method of procedure, but ordinarily the men selected to make an inventory consist of an expert mechanical engineer with a clerk, and in cases where heavy articles must be moved to facilitate examination, one or more laborers.



Specially ruled paper is prepared in advance with convenient binders which also form a backing for the sheets. The expert, familiar with the machines under examination, calls off a description of each machine and other articles, room by room, floor by floor. The clerk who follows him about takes down the descriptions as called to him. This is continued day after day until every article in the plant is listed, from a huge engine to the waste paper basket in the office.

At the same time the architect engineer makes sketches of the buildings and floor plans of each floor, taking measurements and descriptions sufficient for the draughtsman to draw a set of plans, showing the construction of each building and the location on each floor of all large machines. Generally all power-driven machines are tagged and numbered. A corresponding number is inserted on the plans and in the inventory. When the report is complete, the manufacturer can locate on his plan the position of every machine, and by referring to the machine number in his inventory, can easily find a full description of the machine with the value placed thereon.

#### *Consolidations.*

When several manufacturing plants are consolidated, the question of the proper price to be paid for each plant entering the consolidation is at once raised. If the price is not too great, the earnings of the consolidation should be larger than the aggregate of the earnings of all the constituent companies. Besides the advantage of control of production, the savings which can be made would naturally tend to increase the profits. But the natural desire of the owners of the individual plants to obtain the greatest possible price leads to the danger of over-capitalization. This tendency is naturally increased by the large fees for services charged by the consolidation promoters.

In cases where the promoters are determined to over-capitalize, the expert appraiser's services will not be used. But where it is the desire of those interested to come together on a proper capitalization, the appraisal of each plant in conjunction with an audit of the books of each company, will fix the proper amount to be paid each constituent company as well as the proper total capitalization, in a more satisfactory way than can be done by any other method.

The president of one of the large trusts which are now in the hands of the receivers, is reported to have said on the witness stand that "certain styles of bookkeeping will show earnings under any circumstances." In view of the large number of corporation collapses which occurred during the past year or two, this expression of opinion is very important, coming as it does from the president of one of the largest of the wrecks. If the purchasers of the stocks and bonds of the trust referred to had insisted on an appraisalment of the plant before investing, they would have retained their money, since the receiver's report shows over-valuation of the assets and mis-statements of the earnings. The Receiver is said to have characterized the trust as an "artistic swindle."

As an illustration of the extent to which some manufacturing corporations are over-capitalized, the facts concerning one small company are given. A statement of assets and liabilities was prepared from the books, as follows:

*Assets.*

Plant, machinery, tools and fixtures .....	\$175,000.00
Materials .....	1,200.00
Cash on hand .....	760.50
Accounts receivable .....	2,312.82
Treasury stock .....	75,000.00
	<hr/> \$254,273.32

*Liabilities.*

Capital stock, common .....	\$125,000.00
Capital stock, preferred .....	125,000.00
Accounts payable .....	2,416.80
Surplus .....	1,856.52
	<hr/> \$254,273.32

The management offered a block of the treasury stock to a capitalist, who asked to be allowed to have an audit of the books made. The books so far as the entries were concerned checked up all right. The company had been formed about six months prior to the examination and the opening entries were regular. A comparison of the amount carried as plant with the minute books of directors' meetings showed that the directors had regularly passed upon the purchase of the plant for the amount at which it was carried (\$175,000) paying for the same by the issue of all its common stock and \$50,000 of its preferred stock.

This accountant was curious enough to wish to inspect the plant. The investigation which followed disclosed the fact that the officers of the corporation had been in business in a small way prior to the incorporation, with a total of visible assets amounting to not over \$10,000. As directors of the corporation they issued \$175,000 worth of stock to themselves for the assets and business, and retained \$75,000 preferred stock to sell to their friends.

Prior to incorporation they had a hard scratching to make a living out of the business. The promoting fever struck them, and they became easily convinced that the proper way to make money was by the adoption of the principles of high finance.

A readjusted balance sheet was prepared by the accountant as follows:

*Assets.*

Machines and tools .....	\$7,000.00
Book accounts good .....	1,720.08
Cash on hand .....	760.50
Materials .....	700.00
	\$10,180.58

*Liabilities.*

Accounts payable, on books .....	\$2,416.80
Accounts payable, not on books .....	1,436.00
	\$3,852.80

It will be seen that the real capital of this company was about \$6,000 at the time of the examination; and its nominal capital \$250,000 less the \$75,000 carried in the treasury, or, \$175,000. While the stock was originally in the hands of three men they had sold to a considerable number of their friends shares issued to them for the plant and had made the investment attractive by offering two shares of common as a bonus with every share of preferred. At the time of the examination the stock was held by this considerable number who had been let in on the ground floor. The business as a very small affair produced a small income. These financiers were not willing to content themselves with the living and wanted to sell out. The stock was not selling as rapidly as necessary for their purpose. Hence this attempt to sell some of the treasury stock, because the sale of the treasury stock would produce money for the company and a little boom in business would make it easier for the managers to dispose of their own stock.

## BANK DEFALCATIONS—THEIR CAUSES AND CURES

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BY EDWARD PRESTON MOXEY,

Expert Bank Examiner for the United States Department of Justice.

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The banking business offers greater temptations for the abstraction and wilful misapplication of assets than any other calling. This can be explained by the fact that the only commodity dealt in is money, or that which is payable in money, rather than commodities of general use, which to be of any value to the person acquiring them must be converted into money. This conversion is always attended with some difficulty and risk, as the commodity can ordinarily be identified. In the case of money, however, no conversion is necessary and this element of risk is eliminated.

Bank defalcations can be divided into two classes. Those for which the officers of the institution are responsible, and those made by the clerical force. The defalcations by officers can be traced to a variety of causes, among which might be mentioned the following:

The using of bank's funds to promote enterprises in which the officers of the bank are financially interested.

The using of bank's funds for speculation in stocks, grain, cotton, etc.

The using of bank's funds for gambling purposes, for betting at the race track and for extravagant living.

The advancement of the political ambitions of its officers.

Negligence of directors in allowing officers to use the funds, under the guise of loans, to a criminal extent.

Assistance rendered by the clerical force of the bank through their lack of observation of the criminal acts of the officers or their criminal silence.

The want of a rigid enforcement of the criminal laws by the courts.

In a recent address of the Comptroller of the Currency, Hon. William Barret Ridgely, at the convention of the Illinois State

Bankers' Association, among other forcible, sound doctrines annunciated, said:

No national bank whose officers strictly obeyed the National Bank Act ever failed, not one. It may almost be said that not one which did not make loans in excess of the 10 per cent. limit has ever failed. The practically universal rule is that all failures are due to excess loans to one interest or group of interests, generally owned or controlled by the officers of the bank itself.

In the Comptroller's office, when any question is raised in regard to a bank and the examiner's reports are sent for, the first thing looked at is loans to officers and directors, and then excess loans. If the officers owe the bank little or nothing, and there are no excess loans, it is seldom necessary to look much further, for the bank is almost sure to be found in good condition. There are rare cases of sudden flight of bank officers, disclosing unexpected forgeries, defalcations or theft of money, leaving the bank a wreck, but these are almost invariably the last of a chain of misdeeds beginning with the loaning of undue and illegal amounts by the officers to themselves or concerns in which they are interested.

No one familiar with the subject will controvert the above statement. The examination by the department of justice of our government, made by its expert examiners, of the books of failed national banks, confirms the above statement and in addition shows that, without a single exception, had there been an expert examination made of the books of the bank the shortage, by whatever name it is designated, would have been discovered long before it grew to anything like the proportions that many of them did before the bank collapsed.

Among the first things that the average promoter does is to interest some officer of the leading bank in the locality where the business is to be located, or the stock or bonds of the corporation are to be sold to the public. In some instances the officer is prevailed upon to invest all of his available cash in the enterprise, which, in many cases, is a comparatively small amount, but which represents many years' savings from a small salary; while in others he is made a present of a certain amount of the stock of the corporation, which, he is assured and verily believes, will be the beginning of his march along the financial road which will shortly land him at the millionaire's mile post.

In many cases the bank officer is made an officer, a director or a member of the advisory board of the corporation, which fact is



heralded to the world with all the advertising skill of the promoter, and upon the reputation of his good name many are induced to become stockholders. This is more strikingly the case in smaller cities and country localities, but the large cities are not free from it by any means.

Many a defalcation which has caused the bank's failure is traceable to its officer's interest in some outside enterprise, and the beginning of his downfall dates from the day he made the first investment. One of the main reasons which animated the promoter of the enterprise in financially interesting the banker was that if at any time the concern required financial assistance, which is invariably the case, it could readily be obtained through him from the bank of which he was an honored and trusted officer. Experience shows that what was at first a small financial assistance soon increases in amount until the point is reached where it means disaster to all parties interested if additional aid is not given. Then it is that the demand for money must be met to prevent the bankruptcy of the corporation, which means the loss not only of the money invested by the officer and his many friends, but also the loss of his reputation as a financier and a banker of integrity.

It often happens that instead of becoming financially interested in new projects or outside business enterprises, the bank officer succumbs to the seductive influences of speculation. He tries his hand in the stock, grain or cotton market with the belief that in this way he can amass a fortune in a short time and without effort.

He pursues the same method that is followed by those who buy or sell stocks, grain or cotton on a margin. His whole idea is to "get rich quick," and in order to accomplish this he either buys or sells the largest amount possible with the smallest amount that his broker will accept as margin. A slight adverse change in the market price of the commodity or security in which he is speculating wipes out his margin, and a call from his broker for additional margin to carry the transaction must be met. Having exhausted his own money, and being convinced that his ideas as to the future course of the market are correct, he makes the false step of "borrowing" money from the bank and using it as margin with his broker.

It is only a question of time, varying according to the size of his operations and the fluctuations of the market, before he is hope-

lessly involved and financially unable to return the money of the bank which he has used. He now speculates more wildly than before, and upon a much larger scale, with the hope that one fortunate turn of the market will enable him to make enough money to square himself with the bank. In his case history only repeats itself. He went into the market as a lamb and in consequence is thoroughly fleeced.

In some cases the gambling house presents more attraction than the stock, grain or cotton market, but it is not often that this means of acquiring wealth is resorted to by the bank official, as it is not considered by many as reputable as speculation.

Closely associated with the gambling house is the race track, which to some has a fascination that is almost irresistible. The number of persons who bet upon a certain horse to win, upon a "dead sure tip," can be counted by the myriads. This method of gambling is resorted to to a greater extent by the clerical force of the bank than by its officers.

A large bank in an eastern city was wrecked through the speculation of its president in stocks; another one through speculations of its cashier in the same market. Some years ago a large bank in the middle West was wrecked by its vice-president in an attempt to corner the wheat market; while a bank in a southern city was wiped out of existence by its president's and cashier's speculations in the cotton market. The number of cases that could be cited are innumerable, and there is not a section of the country that has escaped. The number of bank wrecks piled upon the financial beach is a silent monument to this truth.

Many bank officers feel that they must maintain a certain social position in the community in which they live, and to do this many live beyond their income. They attempt to indulge in the extravagances practiced by their wealthier business associates, with the result that they use the bank's money with which to do it. The failure of a certain national bank revealed the fact that its cashier was indebted to it in a sum exceeding one-half of its capital, and that a large portion of the money obtained by him from the bank was used in extravagant living. He maintained a palatial home; his family dressed extravagantly; they entertained lavishly; he kept many fast horses, and indulged in various other forms of expensive luxury. All of this was ostensibly done on the moderate salary he received.

Some bank officers labor under the delusion that to be a factor in the community in which they live, they must enter the "political arena." They strive for a high political office. The bank officer soon exhausts all of his own money in his campaign, and next uses the money of the bank which stands ready at hand. The desire for political preferment has turned the head of many a man, and bankers are not insensible to its influence. The ambition of a president of a certain national bank to be the political leader of his party and the mayor of the city in which he lived, caused him to use the bank's funds to further that end to such an extent that the bank was forced to suspend, which entailed a severe loss upon its depositors and stockholders.

Bank officers whose directors do not direct are very often tempted into the use of bank funds under the guise of loans. In all probability they would not have broken the law if the persons selected by their fellow-stockholders to hold the office of director had been directors in fact and not in name only. A director is a trustee and he cannot fulfil the trust he assumes without knowing that the affairs of the bank are being properly administered. How can he do this when he leaves the management almost exclusively to the president or cashier? The number of banks wrecked by its officers because of directors not directing is exceedingly large.

No president, vice-president, cashier or assistant cashier of a bank can use the funds of the institution for his own use without the same being known to at least a portion of the clerks, and it is through their silence, either wilful or the non-observance of what is being done in their presence, that bank officers are enabled, and in many cases encouraged, to take the funds of the bank. If bank clerks would do their full duty there would be fewer cases of defalcations by bank officers than at present.

It is an undeniable fact that the laxity with which the criminal laws of our land are enforced by many of the judges of our courts has much to do with encouraging bank officers to criminally use bank funds. They see in too many cases how difficult it is to convict a bank official who has misappropriated bank funds when defended by a shrewd criminal lawyer, and they are therefore willing to take the chances of detection, and if detected the results of a trial before a judge whose interpretation of the law, the admissibility of evidence and the charge to the jury are all in favor of the

accused. It is only the fear of the law that keeps those from violating it who are not actuated by high motives of right, and judges should be loath to have the charge of the lax enforcement of the law laid to their doors.

While the bank officer is surrounded on all sides by temptation, and some criminally use the bank's funds, one must not for a moment think that they are the only ones connected with the institution who are subject to temptation and who, far too often, listen to the voice of the tempter and become defaulters. Every clerk in the bank, whether he handles a dollar of the bank's money or not, is subject to many, if not all, of the temptations that beset his superior officer. The defalcations by the clerical force of banks can be traced to nearly all the causes enumerated as being the cause of defalcations by officers, and also to a variety of other causes, among which are the following:

1. Temptations offered by loose methods of conducting the business of the bank or of keeping its books and accounts.
2. The lack of proper supervision by officers and directors.
3. The criminal using of bank funds by its officers without detection and punishment, encouraging clerks to do likewise.

Many a bank clerk who has been unfaithful to his trust and has used the funds of the institution with which he was connected for speculation in the stock, grain or cotton market, or for games of chance at the gambling house, or for betting at the race track, or for extravagant living, etc., has been encouraged to take his first false step by the loose manner in which the affairs of the bank were conducted and its accounts kept. He saw the slipshod way in which things were done by every one connected with the bank, that clerical errors in the books were not located and corrected, and that general mismanagement prevailed. Is it any wonder that he used the funds of the bank and took the chances of detection with such a condition of affairs surrounding him? The marvel is that, under such conditions, more do not succumb to temptation.

Another cause of defalcation by bank clerks can be ascribed to the lack of a proper supervision of their work by the officers and directors of the institution with which they are connected. The bank may be well managed in all other respects. The officers and directors may loan its funds judiciously and well, be very attentive to the patrons of the bank and on the alert to add to its already large

list of customers. But all of this will not counterbalance the evil results arising from the lack of supervision. The number of defalcations traceable to this cause is undoubtedly large.

In detailing some of the causes of bank defalcations by the clerical force, the criminal using of bank's funds by officers without detection and punishment is one which should not be overlooked. Many a bank clerk who sees the president or cashier of the bank with which he is connected using its funds in speculation or business projects to a criminal extent, and doing so with perfect impunity, as far as the board of directors is concerned, is induced to do the same thing. He sees how easy it is for the officer to get the money of the bank, and he learns the methods he adopts in an endeavor to conceal the fact. He hears of the enormous profits that the officer has made in speculation and what not. He knows that this has been going on sometimes for years without discovery. He therefore concludes that what the officer can do the clerk can do also. He takes a "flyer" in the market and uses the funds of the bank to margin the transaction.

The bank clerk defaulter, when his crime is discovered, is generally brought to the bar of justice to answer for his misdeeds. He is usually convicted. He has no influential associates to use their power to shield him. He has no money or wealthy relations or friends who are willing to furnish money with which to employ able criminal lawyers to defeat the ends of justice. The bank officer having what the bank clerk lacks, often escapes the just punishment his criminal acts demand.

The reader must bear in mind that there are no cures for all kinds of defalcations, but they may be reduced to a minimum if banks are properly managed. The cures that are suggested for defalcations arising from the causes discussed are as follows:

1. Directors directing, being more than figure-heads in the management of the bank's affairs.
2. The employing of a sufficient clerical force to properly record the daily transactions of the bank. The non-use of all short-cut methods of accounting which are at the expense of safety.
3. The using of a system of accounting that is surrounded with every known device for safety.
4. The thorough overhauling of the books of every department of the bank by expert accountants at irregular and frequent periods.



5. The realization by directors that examinations made by the official examiner afford little protection against dishonesty of employees, and at best is too hurriedly made to be of much value.

6. Prohibiting bank officers from borrowing money from the bank with which they are connected, except upon the most approved collateral, and the approval of such loans by the board of directors by a formal vote at a meeting of the board.

The number of directors of the banks in the United States who do not direct is much larger than might be supposed, and usually it is the bank where directors are impotent that is looted by one or more of its officers or clerks. Where directors direct, defalcations are almost unknown.

The employing of a sufficient clerical force to properly record the daily transactions of the bank is a cure for defalcations that must not be ignored. Too many officers of our banking institutions are attempting to conduct their business with an inadequate clerical force who, to keep up their work, resort to every kind of hieroglyphic entry that their fertile brain can devise. The non-use of all short-cut methods of accounting, which are at the expense of safety, is a cure for defalcations that can be prescribed to advantage. A large number of defaulters resort to false entries upon the books to conceal their shortage. The use of short-cut methods of accounting makes falsifications easier of accomplishment and harder of detection. Short-cut methods are the bank thief's friend and are welcomed by him. Any one familiar with the English system of bank accounting knows that such methods are not tolerated, and if our banks, instead of gradually drifting away from the point of safety, would adopt the English methodical methods of recording transactions they would be better off in the long run. Defalcations in English banks are almost unknown. Does any one for an instant suppose that the English bank clerk is more honest than his American cousin?

The using of a good system of accounting is undoubtedly a cure for many kinds of defalcations. The system used should contain every known device for safety that the ingenuity of the expert accountant can devise. It should fit the requirements of the business. A system that would be a success in one bank would be a flat failure in another and *vice versa*. The volume of the business

transacted, the method of conducting it and the number of clerks employed to handle it are all factors that must be considered in devising a system of accounts. The system of accounting that was used forty years ago, and in a number of cases used to-day, is almost worse than useless. It lacks the safeguards which the improved systems of to-day provide.

The thorough overhauling of the books of every department of a bank by expert accountants at irregular and frequent periods is considered by those who have made a study of the subject as being one of the best, if not the very best, cures for defalcation that can be suggested.

Comptroller Ridgely in commenting upon this subject, in his address previously referred to, said:

The directors should have frequent thorough examinations made by committees of the board or experts employed for that purpose. These should be made independently of the active officers of the bank and with all the incredulity of the proverbial Missourian, everything should be shown and no man's word taken for anything.

Every clerk and every officer of the bank should be examined and checked up as thoroughly as possible, and required to show the examining committee or the auditor just how the matters in his charge stand. No man who is in a position of trust has any right to resent such an examination, and one who has a proper appreciation of the relation he bears to those who have reposed trust and confidence in him will welcome such an opportunity to show that he has been faithful and efficient.

If all boards of bank directors would do their full duty in the way here outlined, bank failures would almost come to an end. Banks would, of course, make losses and occasionally one might fail, but it would be rare, and the result of very unusual bad judgment and incapable management. We would very seldom have such sudden and sensational failures of banks, looted from the inside by men who have stood high in their communities, and even thought to be models of honesty and trustworthiness.

The Hon. James H. Eckels, ex-Comptroller of the Currency and president of the Commercial National Bank of Chicago, in speaking upon this subject, said:

I believe that a bank cannot make a better investment than to have an independent audit made by an expert, both for the benefit of the officers and directors. To such independent audits can be given more time and a more complete analysis of the condition of the bank being examined than under the ordinary examination made by the directors without the aid of an expert.

The Hon. Charles G. Dawes, ex-Comptroller of the Currency and the president of the Central Trust Company of Illinois, of Chicago, expresses himself upon this subject as follows:

In reference to the advisability of a periodical examination of the affairs of banks and trust companies, made by experts, for the benefit of the officers and directors of such institutions, I will state that I deem such a course as most advisable. While in the larger cities the public examiners have, as a rule, a compensation sufficient to enable them to make a proper examination, the National Banking Act in its provision for compensation of examiners outside of the central reserve cities in effect places a premium upon hasty and incomplete work. This defect has been recognized by most of the Comptrollers of the Currency, and the attention of Congress invited to it. However, both in the central reserve cities and elsewhere, a periodical examination by experts of the affairs of banking institutions I deem important.

The examination by the expert accountant furnishes an additional protection to the banker against dishonesty; it is a necessary supplement to the work of the official examiner; it improves the tone and efficiency of the working force; it improves the system of book-keeping; and it increases the confidence of the depositors and stockholders.

Few realize in how many ways a bank may be defrauded by its officers or clerks. A large volume could be written on "how to rob a bank" without exhausting the subject. There are few banks in the United States which have not suffered some loss from the dishonesty of an officer or clerk. Why will banks wait until they have sustained a severe loss through the dishonesty of a trusted employee before having their books examined by an expert accountant? To the prudent business man the question is unanswerable. There is no bank which does not receive full value in the security of its business for the money which it spends on an audit by an expert accountant.

The official examinations as now conducted are of little value against the dishonesty of employees. They are not thorough enough and are too hurriedly made. There are 75 national bank examiners in the United States to make 10,914 examinations each year, or an average of 145 to each examiner. Assuming that all the examiners are steadily employed every day in the year, excepting Sundays and legal holidays, when the banks are closed, they can devote on an average only two days to each examination. Even the largest

banks, with hundreds of employees and thousands of accounts, are examined in a few days.

The audit of bank books by expert accountants is comparatively a recent development, but it is rapidly being adopted by conservative bankers everywhere. It furnishes the best safeguard against dishonesty, the best means of improving the administrative service of the bank, and is a strong bid for public confidence and support. The bank that surrounds itself with every safeguard is in the strongest position to command the banking business of the community.

## SPECIALIZATION IN MANUFACTURE

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BY ALEXANDER E. OUTERBRIDGE, JR.,  
Philadelphia.

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During the past quarter of a century radical changes have taken place in the principles and practice of manufacturing. Methods in vogue twenty-five years ago would not be tolerated to-day, and those which obtain to-day would not have been countenanced then. The conditions have changed to such an extent that it means practically a revolution. Text-books that were used a quarter of a century ago are now obsolete, because they teach methods and principles that are fundamentally wrong according to the lights we have to-day; they are interesting historically, but practically they are worthless.

The industrial structure may be compared to that of a tree. The organization of the industry corresponds to the roots, the common basis and development to the main stem and the special lines of manufacture, which are from time to time added as the business grows, correspond to the branches of the tree. Formerly it was the ambition of the manufacturer to add as many new branches as possible to the main stem, so that the plant might cover a larger field, and also because of the supposed advantage that in case of a temporary falling off in demand for products of one kind, the establishment might be kept occupied continuously through a balancing demand for another product. Thus the manufacturer went on, year by year, adding branch after branch to his business, until the concern which may have started in a very small way, indeed, grew to great dimensions, spreading over many lines of industry. The catalogues of such establishments sometimes cover hundreds of pages, and include a vast variety of implements or goods.

This plan undoubtedly possessed certain advantages, but it also had serious drawbacks. In the case, for example, of the manufacture of machine tools, where a great variety of machines,



such as lathes, planers, etc., are made, of different sizes and shapes to suit the wants of many customers, the result is, sometimes, the accumulation of an enormous stock of costly patterns and fixtures, which are kept in storage for years, perhaps without duplicate orders therefor, and these are finally destroyed to make room for other similar but newer accumulations. When a single new machine is ordered, it is customary to make duplicates of many of the parts. These duplicates are carried in stock for future use, sometimes for years, until, in fact, the design becomes obsolete, and then the patterns, fixtures and duplicate parts, which represent a large original investment of money and a continual expense for interest, storage, insurance, etc., are condemned to the scrap heap. Until this time arrives these patterns, castings, duplicate parts, etc., appear as "assets" on the books of the concern, often at a false value, for the annual allowance made for "depreciation" does not cover the ultimate loss due to obsolete fixtures and machines.

Partly as the result of experiences of this nature, specialization in manufacturing has become a prominent feature in recent years, resulting in an astonishing decrease in cost and increase in production. Specialization in manufacture means that the manufacturer selects some article or product for which there is a heavy or a constant demand, and through devoting his entire capital, energy and ability to its development and the betterment of the methods or appliances of its manufacture so reduces his costs on it as to be in at least partial control of the trade. A few illustrations, taken from actual experience, of the advantage of quantity manufacture and undivided attention will be in point.

First. To show the difference in cost where the same machinery and appliances are used, but the quantity is increased. In making two oil pumps for hammer cylinders the cost is \$20.19 each; the same pumps in lots of twelve cost \$6.12 each, a reduction of 69 per cent., due largely to the increased quantity, and this reduction could be substantially increased if the quantity should be further increased.

Second. To show the difference in cost where different machinery or improved processes are used.

For making one hundred  $\frac{3}{4}$  inch by 4 inch hexagonal head finished bolts, on a modern turret lathe, by reducing the body of the bolt from a commercial bar of hexagonal steel of a size required for

the head, the cost is \$15.84. Similar bolts are now made by a machine-screw company by welding electrically the head (cut from a bar of hexagonal steel) to the body of the bolt, made from a piece of cold rolled steel the exact diameter of the bolt, and sold for \$5.88, which shows a saving in favor of this process of approximately 63 per cent.

Third. Where an entirely new process is used. The instance taken is that of the manufacture of cores for molds, where the specialization developed a new process or made it advantageous to apply it. Certain cores which formerly cost \$1.18 each, now cost 30 cents each. Others which formerly cost 56 cents each, now cost 14 cents each; others which formerly cost \$6 each, now cost 90 cents each, and so on.

When Edison first made the small incandescent electric lamps, consisting of a carbon filament fixed by platinum wires in a pear-shaped glass bulb, from which the air had been exhausted, the cost was \$3 each; now there are many million similar lamps of better quality made each year and sold at less than 20 cents each. Formerly watches were made by hand and were costly luxuries; now they are made by machinery in lots of a thousand at a time, and the cost of a new watch, that will keep fairly good time, is less than the cost of having an expensive watch cleaned. The same principles apply in all lines of manufacture, and it has been found that reduction in cost of production, due to specialization in manufacture, is naturally followed by increased demand, for the simple reason that each successive reduction brings a new class of consumers or purchasers into the market, and a commodity which was regarded as a luxury of the few when the cost was relatively high, becomes a necessity of the many when the cost is reduced to a sufficiently low level. When the cost has descended to the point which is necessary to establish this condition, the demand for the commodity becomes permanent, subject to occasional temporary fluctuations following variations in the general prosperity of a community or the passing of the fad if it be one.

There are, of course, dangers of overproduction in this modern system of specialization, of which we have had many evidences of late, but it seems to be pretty well recognized that the secret of success in manufacturing lies largely in concentration of effort, in developing the plant to the highest degree, so that a superior product may be turned out at a minimum cost.

This implies a complete modern equipment of machinery and modern methods of management. Formerly old tools were venerated; now they are ruthlessly cast away as soon as superior machines can be obtained.

Not long ago a well-known English manufacturer visited this country to inspect our methods, and on his return he was asked "What is the secret of America's success in manufacturing?" His reply was the single word "scrapping," by which he meant that all appliances were considered obsolete in this country and condemned as soon as new improvements were found. It may be stated as a general proposition that if a new machine be invented which will, by increasing the output only 10 per cent., reduce the cost an equal amount, it pays to scrap the old machine. In many instances improvements have been made which have reduced the cost of manufacture over 50 per cent., and herein lies also one of the dangers of specialization in manufacture.

An establishment may have its capital tied up in a complete outfit of machinery designed to produce one article at the lowest cost, for which there may be a constant demand at a remunerative price. Then an ingenious inventor may design a new machine, or devise a new method of manufacture, which will, perhaps, produce better goods at far lower cost, and the utility of the old plant is at once destroyed. Its costly machinery may be of little or no value for any other purpose, and so a hitherto profitable industry may be wiped out of existence at one fell stroke. This is not an imaginary statement, but it can be supported by numerous facts.

In England, several years ago, a clever young chemist devised a new method of producing aluminum, using sodium as an intermediary agent, the cost of aluminum being less than half that of reduction by methods then in vogue. A magnificent plant was erected, requiring an investment of several hundred thousand dollars. Before the manufacturing operations were fairly under way an American electrolytic process was brought out, doing away with the intermediary element and reducing the cost to a mere fraction of that by the sodium method. The English process was at once abandoned.

A few years ago a new method of treating steel for cutting tools was devised, which enabled the tools to cut steel and iron four or five times as rapidly as could be done with any steel tools made

up to that time. Shop rights were sold at large figures, and furnaces and other necessary appliances installed in several establishments for treating cutting tools according to this process. In a very short time new alloys were discovered, of which cutting tools are now made, having the same capacity without this costly treatment, and so the value of the process has been largely effaced.

The element of time was far less considered formerly than now, because it was of far less value. When wages were low and handwork in vogue, the ratio between the value of materials and of time was the reverse of what it is now, when in many manufactures the time cost exceeds all other costs. It is said that when a carpenter drops a wire nail, it is false economy to take the time to pick it up instead of using another.

The standardization of parts now so general, is at once a cause and a result of specialization in manufacture. While some large manufacturers make most of their parts in their own factory, few make all, and a large proportion buy many and some buy practically all. Many makers of parts confine their manufacture to a single one. The more recent the development of a mechanical invention, the more this practice seems to be adopted. Thus in the manufacture of automobiles the technical papers are filled with advertisements of parts; one company makes only gasoline engines, another frames, another mufflers, another radiators, another bodies, and so on. As was the case in the bicycle era, so now many of the cheaper class of automobiles are composed of "parts," purchased where they can be bought wholesale at a low rate, and "assembled" by the so-called manufacturer.

Certain fundamental principles characterize American methods of manufacture; such as the employment of special machines to perform specific operations only, whereby the output of a factory is enormously increased, minute and systematized division of labor effected, the costly work of finishing and adjusting minimized, and the highest development of skill, accuracy and dispatch acquired. The high wages paid to skilled labor in this country have acted as a stimulus to the invention and perfecting of labor-saving machinery, and the employment of such labor-saving machinery operated by high-priced, intelligent mechanics has resulted sometimes in a very much larger output and lower cost of product per man employed than anywhere in the world under old conditions. These features have perhaps

received most notable development in the fine art of watchmaking by machinery in America, wherein the acme of perfection and economy is shown.

The system of concentration of labor in large factories for making watches in this country is the antithesis of the method of scattered manufacturing which prevailed for centuries in Europe, notably in Switzerland. M. Favre-Peret, who investigated this industry in the New England States some years ago, stated that the average production of 40,000 workmen in Switzerland was 40 watches each per annum, while in America the average was 150 fine watches for each man employed.

By the aid of special machines in these watch factories, one man can make 1,200 fine screws per day, some of which are so small that more than 100,000 are required to weigh a pound. One of the finest pieces made is a "pallet-arbor" or pivotal bolt, which, for a small-sized watch, has a thread of 260 to the inch, weighs  $\frac{1}{130000}$  of a pound, undergoes 25 operations and costs but  $2\frac{1}{4}$  cents. Measurements are gauged to  $\frac{1}{25000}$  of an inch.

The balance wheel, after being machined, weighs only 7 grains, and when fitted with 16 gold screws weighs 7.2 grains; there are 80 separate operations upon a balance wheel, 66 of them being drilling, threading and countersinking holes; the drills revolve at a speed of 4,800 turns a minute, and one operator can drill upwards of 2,200 holes for the balance wheels per day. A full and complete report upon this highly specialized manufacture of watches in this country may be found in Volume II of the "Tenth Census of the United States."

A few years ago M. Levasseur, a member of the French Institute, an authority on industrial economics, made a careful study of industrial conditions in the United States, and referred in his report thereon to the prodigious proportions which the tendency of modern industry towards specialization has assumed in this country. He described in detail the development of the shoe industry in Massachusetts to illustrate this evolution. Until 1850 shoes were for the most part made in the Bay State by farmers working at home at seasons when farm work was slack. Little by little manufactories were established, until now everything is done by machines which are marvelous in their variety and rapidity of production. Here specialization has been developed to the highest degree. One factory employing 233 hands produced 2,100 pairs of shoes a day.



A delegation of French workmen, after visiting our industrial establishments, said, in their report, that "The manufacturers are unceasingly replacing old machinery by improved types. Although the McCormick Reaper Works are the oldest of the kind in the United States, we did not find there a single machine out of date. As soon as a machine can be replaced by one giving better results, a manufacturer does not hesitate to send it to the junk shop." The delegates concluded their report with these words: "The rapidity of the machines is astonishing, and the development of specialization seems sometimes to border on the marvelous."

In all lines of manufacture in the United States the same tendency towards specialization is apparent, and it is a question for serious consideration whether this process may not be carried too far, resulting in the future in a variety of unlooked-for evils. Not the least of these perhaps is the decline of the "all-round skilled mechanic." Young men who enter our shops to-day find employment in tending special machines and soon become highly trained in their operation, so that they earn large wages, consequent, of course, upon their ability to turn out, by the aid of these machines, the maximum amount of work with minimum of defects. They are encouraged by their employers to continue at one job and feel little ambition to change to another class of work, or to another kind of machine, where their experience avails but little. Thus we have skilled planer hands, who know nothing about the operation of lathes, milling machines or other mechanical appliances in the same shops.

The Baldwin Locomotive Works, the largest of the kind in the world, and the most highly developed in specialization of manufacture, have already experienced the difficulty of finding young men competent to take the place of older hands, and have shown wise forethought in establishing a new school of apprentices, with a general superintendent in charge and a staff of supervisors or foremen of apprentices. There are at present three classes of apprentices, numbering in all between four and five hundred in these works. The apprentices are not kept for an indefinite time in any one department, but are moved from one to another as they advance in experience, so that when they have served their full terms they graduate not as skilled "planer hands" or "lathe operators" merely, but as skilled mechanics. Furthermore, this system develops a feel-

ing of proper ambition in the young man and of attachment to his alma mater. This is, in effect, an industrial college for the poor boy, worthy of emulation by other manufacturing establishments; the mutual benefit to employer and employee will be felt in the years to come, and will continue to increase in value to all concerned.

The tendency toward specialization is not confined to manufactures. In the foregoing the attempt has been made to tell of and to illustrate its influence and effects in this line. The tendency seems to extend to engineering, medicine and the other professions, indeed, to pervade every field of human endeavor. It is an evolution amounting to revolution of methods of doing the world's work.

## REAL ESTATE AS SECURITY FOR LOANS

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BY CHARLES K. ZUG.

Philadelphia, Pa.

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Fifty years ago real estate was the principal security for a loan of money. At the present time, however, personal property has assumed such proportions that the value of real estate as security for loans is questioned by many large investors. Many corporations pay larger dividends on their stock and as large or a larger interest on their bonds than can be obtained from a loan on real estate security. Such a loan, however, has still the great advantage that the lender is able to see his security at the time he makes his loan, and go to see it as frequently thereafter as he may desire.

This distinct advantage that a real estate loan has over other security is, however, somewhat offset in the matter of convenience. The holder of a mortgage frequently has difficulty in securing the interest, and while his remedy by proceeding to foreclose is clear, investors as a rule prefer to receive the interest on their investment and not enforce any penalty for non-payment. Mortgage interest is rarely paid without a bill having been first presented, and frequently this bill must be presented a second or even a third time before payment is made. It is, therefore, less convenient than a bond, which may be registered and the interest sent by check to the registered holder, or stock on which the dividends are now usually also paid by check.

There are, however, several reasons why an investor might prefer a mortgage. First, because his investment is separate and apart from that of others; and, secondly, because it is absolutely within his own control. Unless he is a director of the corporation of which he holds either stock or bonds, it is impossible that he should have full information as to the condition of the company, its prospects and its management. It may be doing a most profitable business to-day and may be losing money next year. A change

in policy may result either in a large increase in net earnings or a large decrease thereof. Therefore many an investor prefers to make his own investment and have as security therefor a separate piece of property, of which at the worst he feels assured that he will become the actual owner; whereas the holder of a bond of a corporation is, in case of default, subject to the wishes of other bondholders and is compelled to act through a trustee. He may find the entire property swept away by a proceeding on a prior encumbrance, and this is all the more true of the holder of stock, who is entitled only to what is left after all the indebtedness is paid.

#### *Method of Making Loans on Real Estate.*

The usual method of borrowing money on real estate security is by bond and mortgage, in which case the borrower gives his bond in a sum usually double the amount of the money that he has borrowed, which bond is conditioned upon the repayment by him of the amount borrowed, with interest, at the time stated and also contains certain other conditions which vary with the instrument, these conditions usually being that he will pay the taxes upon the property and produce the receipts therefor each year; that he will keep the property insured against fire for the benefit of the mortgagee, and that if default is made in any of the conditions contained in the bond the principal debt shall, at the option of the lender, become due and immediately payable. Another provision, usually included, provides for an attorney's commission for collection in case proceedings are had thereon. Attached to the bond is a warrant of attorney authorizing the entry of judgment against the borrower. This bond is then secured by a conveyance of the borrower's real estate to the lender, with a condition known in law as a defeasance, whereby it is provided that in case the borrower shall comply with the conditions of the bond, then the indenture or mortgage and the estate thereby granted shall cease, determine and become void. The bond may be given by the owner of the property or by any other person. It should not be forgotten, however, that the bond is the debt and the mortgage is simply the security for its repayment. Therefore it is material to the lender to know who the bondsman is. If he is a responsible person, the mortgage is rendered that much more desirable, as in addition to the security afforded by the mortgage, there

is the express obligation of the borrower to pay the money, together with a warrant of attorney which makes it possible at any time, even though default has not been made, to enter up the bond and thereby secure a lien upon all the other real estate of the obligor. It is not customary to enter the bond accompanying a mortgage in the absence of default, but the right to enter it at any time is unquestioned. Execution, however, cannot issue upon the bond until default is made, which may be either in the payment of the interest, when due, the payment of the principal, when due, or the failure to produce the tax receipts, or to comply with any other of the conditions therein expressed. If the default is in the non-payment of the interest as it becomes due, the bond and mortgage, as a rule, expressly provide that default shall continue for the space of thirty days after the interest becomes due before the mortgagee can exercise his option in declaring the principal sum due and proceed to collect.

Among other methods of lending money on real estate security the following may be mentioned:

1. It sometimes occurs that a borrower owns a mortgage on which he desires to borrow a certain sum of money, but does not wish to sell the mortgage, either because his necessities are less than the amount of the mortgage, or because he wishes to repay his own loan at an early date and thus have returned to him his investment. In lending money by this method, the bond and mortgage should be absolutely assigned to the lender and not conditionally assigned, as a conditional assignment might render subsequent sale of the bond and mortgage difficult. It is the duty of the lender in this case, if the loan is not repaid or the interest not paid as it becomes due, or any other default made, to first sell at public sale the bond and mortgage which had been assigned to him as collateral, just as he would sell any other collateral which he held as security. It is, therefore, advisable to take a collateral note from the borrower with the usual provisions that the lender can purchase at this sale, so that he may thus become the owner of the bond and mortgage and proceed to collect his debt in that way.

2. Money is sometimes loaned on a conveyance by the borrower of his real estate to the lender, with a collateral agreement setting forth the fact of the loan and the conditions of repayment, etc. The collateral agreement accompanying the deed would vary with the particular conditions of the loan, and might be misinterpreted



by the parties thereto after its execution. For that reason, at least, this method of lending money appears to me to be undesirable.

3. It is quite common in certain sections of Pennsylvania to lend money on security of a judgment note, which is entered as against the property of the borrower, either restricted in lien or applying generally to all his real estate. This method of lending money is rarely adopted in Philadelphia, or I presume in any large city. It has the distinct objection of requiring the renewal whenever the lien expires. The failure to secure such renewal in time means a loss of the lien on the defendant's property. It is probably adopted in country districts to save expense, but it certainly is not a form of investment that would recommend itself to a careful investor.

4. The ground rent is not a loan of money on real estate security, but is, as you are no doubt aware, an interest in the property. The owner of a ground rent is entitled to receive a certain fixed rent, payable usually in semi-annual payments, and the person who owns the real estate out of which the rent issues, is entitled to possession and all the other incidents of ownership so long as he pays the rent. In character it so closely resembles a loan of money that perhaps a few words on this subject are not amiss. The rent is usually on a basis of 6 per cent. on the amount of the principal, upon the payment of which principal sum the rent can be extinguished. That is, if the rent can be extinguished on the payment of \$1,000, the annual rent is usually \$60, which is larger than the ordinary rate at which mortgage loans are made in Philadelphia, where the interest is usually from 4 to 5 per cent. It has the further advantage that it is not subject to the four mill tax levied by the State of Pennsylvania on personal property. From the standpoint of the investor ground rents have disadvantages in that the owner of the rent can not demand that it be extinguished, while the owner of the property may extinguish it at any time that he sees fit unless the rent is by its terms irredeemable and created prior to the acts of April 22, 1850, and June 24, 1885, prohibiting irredeemable ground rents. As a result the owner of the rent is often forced to see the property depreciate, and yet in the absence of waste has no remedy so long as the rent is paid.

In like manner, taxes levied against the property may remain unpaid. These taxes take priority of all other indebtedness, and therefore by so much is the value of the security diminished to the

holder of the rent. On the other hand, the owner of the rent has the advantage of a speedy means of collection by warrant of distress, as any other rent could be collected, and he can also bring suit for the rent due and sell the property. The suit, however, is for the rent due and not for the amount of the principal sum, and the purchaser at the sheriff's sale buys the property subject to the ground rent. The absence of the right on the part of the owner of the ground rent to demand payment of the principal of his rent is the decided objection to this character of investment. His remedy is to sell his rent just as he would sell the real estate if he owned it, usually receiving less than the principal of his investment, if it is a redeemable ground rent. The bidder at the sale almost invariably deducts the cost of the conveyancing, since he does not know how long he can keep his investment.

Assuming that you have determined upon the form of your investment, as to whether it should be on a mortgage, judgment, etc., there are certain other considerations relative to the security for the loan requiring attention.

In lending money a greater equity or difference between the value of the property and the amount of the loan should be required in unimproved than in improved real estate. If compelled to buy in unimproved real estate at a foreclosure sale, its unproductiveness might increase the difficulty of finding a ready market for it. If the lender has no money to improve it, and particularly if he does not have the means to pay the taxes, municipal claims and other charges that may arise in connection with its ownership, he may be compelled to sell it for much less than what would be considered its real value. The value of unimproved real estate is always less certain than the value of improved real estate. The value of all real estate fluctuates and depends upon the demand. In times of expansion, when people are engaging in new or larger business enterprises, builders are also building houses and new factories and other plants are being established, which create a demand for unimproved real estate and such property, desirably located, might be more readily sold than one that has an improvement upon it, which might not suit the requirements of the intending purchaser. But in times of depression, and those are the times when the lender is most usually required to purchase the mortgaged property at a foreclosure sale, fewer buildings are started and consequently there is a smaller demand.

**The amount of this equity to be required in any real estate**

would vary, of course, with the real estate in question. If in an improving neighborhood, more may safely be lent than if the neighborhood is stationary and largely more than if it is declining. In fact a loan on a property in a declining neighborhood is always of an uncertain character. A loan of from 60 to 70 per cent. of the present selling value of an improved piece of real estate is usually considered a conservative loan, while the loan of 50 per cent. of the present selling value of an unimproved piece of property is perhaps as large as should be made.

In making a loan secured by real estate, the lender should visit the property upon which he is lending the money, in addition to obtaining the opinion of any expert that he may employ to guide him in making the investment. The character of the improvement of the property, whether it is a dwelling house or a business property, whether it stands alone or is one of a row of buildings, whether it is in good condition and also whether the remaining properties in the same neighborhood are kept in good condition; if it is a dwelling house, whether it is in a neighborhood suited to dwelling houses, whether it is in a neighborhood of residences of a substantial character, or in a neighborhood occupied by employees of factories are all matters to be given careful consideration.

One tenant may lease and use together a number of different properties, and the owners thereof may desire to borrow money on the property separately owned by them. Such a mortgage should require a special equity, as there is, in addition to the ordinary risk, a risk of the tenant's business. If he should fail, it might be difficult to find some one who would continue his business, and a severance of the respective properties might render each one much less valuable than all were when considered together and occupied by one person, while the cost of replacing any party walls which had been removed would add considerably to the cost of each separate property.

A large mortgage, \$100,000 or \$500,000, has certain desirable qualities. As a rule, the interest is paid promptly on the day it is due, whereas the borrower of a small sum of money is very apt to be negligent in his payments. It has the advantage also of requiring you to look to but one person for the interest on a considerable sum of money; whereas if you take small mortgages, you may have to collect the interest on \$100,000 from one hundred different people,

which is troublesome and requires considerable book-keeping. It is not to be forgotten, however, that the large mortgage has the objection of having a limited market, and therefore unless you yourself are able to buy in the property at a sale and also able to retain the loan for an indefinite period, the investment might prove very disastrous. What is and what is not a large mortgage depends, of course, upon the community. In a small town a mortgage of \$10,000 might be considered large; whereas in a large city, a mortgage for \$1,000,000 might not be considered objectionable from this point of view. The point to be remembered is that there are many more people able to invest a small sum of money than there are to invest a large sum, and in times of money stringency the owner of a heavy mortgage might not realize at a sale anything like the proportionate amount that could readily be obtained for one of smaller size.

A property occupied by the owner is usually a more desirable security for a mortgage than one occupied by a tenant. In the majority of instances the property is kept in better condition by the owner whose pride has been known to lead to many sacrifices before permitting his home to be sold under a foreclosure of mortgage.

Small properties will depreciate more rapidly relatively to their value than larger ones. A mortgage of \$1,000 on a property renting for \$15 or \$16 per month might be very well secured when the mortgage was taken, but a few years' neglect of such a property will depreciate its value several hundred dollars, which is a large relative decrease.

As the laws of the different states vary, it is wiser to confine one's loans to one's own state, or to the states with whose laws on this subject the lender is familiar. About fifteen years ago, a number of acts were passed by the legislatures of some of the western states imposing heavy penalties for failure to pay taxes, extending the time during which the owner of a property could remain in possession after a mortgage thereon had been foreclosed, and otherwise attempting to preserve the interest of the resident of the state as against the claim of the non-resident creditor. There have been cases of loans which were supposed to be well secured, where the owner has lost the entire amount of his investment by reason of these provisions, and where he knew nothing of the laws in question until he came to bring his foreclosure proceedings.

The duration of a loan should vary with each particular case. In an improving neighborhood, money for a period of five years, or even longer, may be safe; whereas if the neighborhood is not improving, a longer period than one or three years is not advisable.

In Philadelphia it is not the practice of borrowers to pay their mortgages when the principal becomes due. On the contrary, they are very apt to allow the mortgage to remain until they find it convenient to pay it off, or until they are requested so to do. The lender should, therefore, make a note of the expiration of the loan for the purpose of revisiting the property at the time and determining the question of the advisability of requesting payment of the principal or of continuing the loan. If he concludes to continue the loan, it would be wise to make some memorandum as to the period when he thinks he should again examine the property, and again determine the question of continuing the loan or requesting payment.

The security should be a first lien on the borrower's property. A prior encumbrance is always to be avoided. The fact that it is small relatively to the value of the property is immaterial, because the owner might default in payments due under the prior lien, and a foreclosure might follow and the property be sold by the sheriff without knowledge of the junior creditor and the lien of his encumbrance be discharged. That, however, could not be the case if he had the first mortgage. It would be the case, however, if he had simply a judgment. In that case, if he owns the first lien, he is entitled to priority of payment, but his lien is discharged by the sheriff's sale. In Philadelphia it is now almost the universal practice to secure a policy of title insurance from a title insurance company. In other sections of the state, perhaps this means of making sure that the lender has a first lien may not be feasible. He will then be compelled to rely on the examination by counsel and their opinion. He would be very unwise if he would not thus secure his investment, because it is always the privilege of the person borrowing the money to pay the expenses, which includes the examination as to the title.

The lender should receive a fire insurance policy for a proper amount, and to make sure that it would be wise for him in valuing the property to value the ground and the improvement separately. Insurance companies insist that the owner should carry insurance to 80 per cent. of the value, and the lender is a co-insurer with them to the extent of the deficiency between the amount of his insurance



and that 80 per cent. Therefore it is desirable that he should have a policy of approximately 80 per cent. of the value of the improvement. If possible, he should secure perpetual insurance to avoid the necessity of noting the expiration of the policy and seeing to its renewal. If he has to accept time policies, he should adopt some method of directing his attention to the fact that the policies expire and see that they are duly renewed.

All mortgages in Pennsylvania contain a provision requiring the owner to produce receipts for the taxes levied against his property. The lender should see that this is strictly enforced. Even in Philadelphia, notwithstanding the laws to enable the city authorities to enforce the payment of taxes, I have known mortgages to be foreclosed and to find that the owner had allowed as much as ten years' taxes to remain unpaid. True, he is personally liable for the tax, but if he is insolvent, this liability on his part is not a very great comfort to the lender of money when he finds the sheriff deducts the amount of these taxes before making any distribution of the proceeds of the sheriff's sale. If the property is in an unimproved neighborhood, the lender also runs the risk of municipal claims for sewer, water pipe and other improvements, which no doubt are intended to, and in all probability eventually do, improve the value of his property, but may occasion him a present outlay which might be inconvenient.

The conclusions of the foregoing discussion may be summarized as follows:

(1) While a loan of money secured upon real estate may be less convenient than a corporation bond or stock, it usually pays a little larger rate of interest than the best bonds, is a lien on a specific piece of property and entirely under the lender's control, and its value does not fluctuate with the business or policy of a corporation.

(2) In lending money on real estate security, lend on a bond and mortgage. It is the most usual method, the rights of the parties are clearly established and you secure a lien which continues indefinitely.

(3) Unless you are competent to form an opinion on the value of the property, secure the opinion of an experienced real estate man. In any case, visit the property yourself at the time of making the loan and write out your impressions concerning it. Note the

character of the improvement whether generally useful or only for special purposes, and note the character of the neighborhood. Visit it again when the loan matures and determine whether to continue it or not.

(4) See that you have sufficient equity. Do not lend more than 60 or 70 per cent. of the value of improved property. If the property is unimproved, do not lend more than about 50 per cent. If the property is not in an improving neighborhood, require even a larger equity or decline the loan.

(5) Do not make loans in large amounts. The market for a large loan is relatively smaller than for a small one. In times of financial difficulty, it might be difficult to sell your mortgage or realize upon it a sufficient sum for your needs.

(6) Do not lend money on mortgage in states where you are unfamiliar with the laws and customs.

(7) Lend only on first mortgage. See that you receive a title insurance policy; also a fire insurance policy for 80 per cent. of the value of the improvements on the property. If possible, have perpetual fire insurance. If compelled to take term insurance, be careful to note the expiration and see that the policies are duly renewed.

(8) Enforce the provision in your mortgage requiring the owner to produce the receipts for taxes levied against the property.

## UNDERWRITING

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BY GEORGE STEVENSON,  
Of Sailer & Stevenson, Philadelphia, Pa.

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Two centuries ago practically every business enterprise was carried on by a single individual or at most by a partnership. It was the time of individual effort, because every undertaking was planned upon such a modest scale that the need of some means by which the resources of a number of persons could be combined had not been seriously felt. The few corporations that existed served only to emphasize this fact. The resources of even the largest and most important of them would form a small fraction of the funds at the command of the average present day capitalist. No better illustration of this can be found than that furnished by the British East India Company. The capitalization of this corporation which ruled an empire, and to a great extent shaped the policy of England, was £400,000—less than one-fiftieth as large as that of the United States Steel Corporation.

So long as every investor was in a position to know the character and business integrity of his co-partners, the only risk involved was the usual business risk which still is to be faced in every industry. Even if a company was to be formed, nothing was done until the necessary subscriptions had been secured and a large percentage of them paid in.

There was one form of business activity, however, which greatly felt the need of some form of insurance against loss. The shipping industry was at that time one of the most risky enterprises into which one could embark. The dangers of disaster combined with the risk of capture by the cruisers of one or the other of the powers with which England was almost constantly at war, made it attractive only to the boldest. The profits were enormous, an owner often being able to clear the cost of his vessel in a few voyages. On the other hand, the losses when they occurred, were severe. The

profits of years might be wiped out in a day, and even the staunchest and most opulent merchants were often crippled by the loss of parts of their fleets.

Two centuries ago the man who had a cargo to send to the Mediterranean contrived to get rid of some of the risk by inducing a friend to take an interest with him. It was necessary to write out a statement of contract to which the guarantors subscribed; this was the first underwriting. These two men happened to be frequenters of Lloyd's coffee house in London, which was a favorite place for the merchants of the town to gather to discuss business, or to gossip. Others immediately saw the advantage of the scheme which their colleagues had devised, and on the next voyage the risk was parcelled out among a larger number of the patrons of the coffee house. Out of this small beginning has grown the great European maritime agency, still bearing the name of the humble coffee house proprietor, and which not only writes risks on vessels, but rates them and publishes their arrivals from every port the world over, no matter how small or how remotely situated.

As the size of business undertakings increased, the necessity for the co-operative form of organization began to be keenly felt. But the difficulty was that the risk involved in counting upon the payment of subscriptions when they fell due by stockholders, most of whom would naturally be little known to the promoters, was too great for the ordinary individual. He was anxious and willing to pay some one to assume this risk for him. Unless this could be done, it became practically impossible to undertake any great work without first having all the capital subscribed and a large percentage of it paid in—a practice which besides being very expensive, was almost impossible to carry through. As time went on and the size of corporations increased, promoters of enterprises found it was exceedingly difficult for them to market the securities no matter how good they might be. Outside of a small community they were practically unknown, and it required an enormous amount of work, and in fact it soon proved to be impossible to reach investors in distant localities, or to convince them of the advantages of a project which often it was impossible for them to visit. In their extremity the promoters turned to the banker, who, through his correspondents, could reach every important money centre in the world. The machinery to advertise and market the new securities was already in

existence and it was only necessary to convert it to the new use. Investors in distant localities would buy securities about whose value they knew little or nothing, because their bankers in whom they had confidence recommended them. In this manner, one hundred investors could be secured, where one would be obtained if the investor was forced to rely entirely upon his own judgment as to the profitability of the enterprise, the security of his lien, and the integrity and honesty of the officers.

The principle which underlies underwriting of industrial and railroad securities is the same that governs the marine insurance business of Lloyds. The syndicate or the marine agency guarantees to the railroad company or the ship owner that they will assume the risk in return for their commission. The owners are left free to turn their entire attention to the carrying out of their plans, being absolutely certain that the financiering of the scheme will require no attention on their part. Having thus briefly sketched the origin of the underwriting and ascertained the principles involved, we are now ready to take up the methods upon which the business is conducted to-day.

Roughly speaking, there are two classes of underwriters: first, there are those who simply insure the successful issue or sale of a security by some other person, and second, there are those who agree themselves to take the security. Let me cite you a practical illustration of the first kind of underwriting. In 1902 the Pennsylvania Railroad Company needed a considerable sum of money and proposed to issue \$75,000,000 of stock at the rate of 120 per cent., which would require the payment of some \$90,000,000. It would not do for them to fail. They had spent the money and must recoup their treasury. Besides the Pennsylvania Railroad plays such an important part in the affairs of the country, that failure would almost have been regarded as a national failure. The financial officers of the Pennsylvania Railroad Company know that the money market is very sensitive. One day everything may be tranquil, with confidence abounding, and money freely offered at a low rate; over night a great disaster, either real or impending, may throw the financial world into a tumult of excitement. It may be a great conflagration, such as that of Chicago or Baltimore, or some great financial institution which had hitherto been considered very strong



may be discovered to be in trouble, or possibly a great European war may be threatened by some such event as that recently occurring in the North Sea. The result would be that the success of any great financial transaction would be seriously jeopardized.

In consequence of this, bankers were asked what they would charge to insure the success of the issue. Such a large sum is more than one house is willing to risk, consequently, the bankers formed a syndicate or combination of capital. This differs from a corporation in the fact that while a corporation exists forever; a syndicate, on the other hand, ends when the transaction is over. The charges agreed upon were satisfactory to the Pennsylvania Railroad. The gentleman who made the contract with it, went back to his office in New York and took out of his records a list. That was his syndicate list—a list which he has formed by years of experience, and is virtually a "roll of honor." It comprises the names of gentlemen whom his experience tells him are financially able to float the security, and whose word is as good as their bond. The banker makes a succinct account of what his terms are and what he is committing himself to do, and he sends this by cable to bankers in London, Berlin, Amsterdam, Paris, and other money centres of Europe, with the request that they send him word in the morning how much they want to take. He sends word to Philadelphia, Boston, Baltimore and other nearby cities, with a similar request. When it is ten o'clock on this side of the ocean it is three o'clock on the other side. He would be able to get returns on all his messages upon his arrival at his office the next morning. He takes a list then of the subscriptions he has received and adds it up. In this case he discovered that instead of having subscriptions to \$90,000,000 he had \$200,000,000; so he makes an allotment according to his own ideas.

All members of the syndicate, when allotments are made, will be sent an extended statement covering all the points of the case, which they sign. These syndicate agreements are founded on honor. Mutual confidence among their members is indispensable. The document is sent back to the syndicate manager, who has plenipotentiary power to do almost as he sees fit within certain lines. It must not be supposed, however, that the service of the underwriters is small or incommensurate with the amount of payment received. An insurance company which insures a merchant's goods for \$100,000 re-

lieves him of all anxiety. He may sleep soundly, though his place of business is burned. Similarly with the Pennsylvania Railroad stock issue. For a small commission the bankers agreed to pay out \$90,000,000 within a short period, no matter what events arose meantime to interfere with the state of the money market. That is a service worth speaking of. Of course, individual banking houses were careful not to subscribe for more than they could take care of in case of trouble.

Those who promote the syndicate, of course, keep part of the commission for themselves. They earn it in originating and managing the syndicate.

The second kind of underwriting syndicate may be formed when a corporation wants to sell \$30,000,000 or \$60,000,000 worth of bonds. The president of the corporation will go to a banker and ask him to underwrite the loan. The banker must be satisfied of the credit of the company and of the correctness of the statements that are made to him. He must be satisfied that it is such a loan as the market will take. He makes his terms and says when he shall pay for the bonds. He signs a contract to pay for that \$30,000,000 loan at a certain time. He goes through the same operation as before and forms a syndicate. If the loan is not sold before the time agreed on, the underwriters must pay the money. That is the risk which they take. If the issue is successful the members will get checks from the promoter of the syndicate as their proportions of the profit and the syndicate is now closed out; but no statements are rendered, neither are they expected.

We now come to the marketing of bonds. Bonds are generally marketed by the syndicate managers who are the members of the syndicate. There are generally one or two firms who are responsible for the marketing of the bonds and the underwriters do not have to take the bonds unless these persons are unsuccessful. In the case of the Japanese loan recently advertised in the papers, you saw a circular signed by Kuhn, Loeb & Co., the National City Bank and the National Bank of Commerce of New York. These institutions were, in this case, responsible for the marketing of the bonds.

Not all syndicates are successful, and it may happen sometimes, instead of taking profits, losses must be paid. Syndicates may not be closed up for several years. If they have been unable to sell the bonds at the time of their creation, or at the time of the formation

of the syndicate, the bonds sometimes become "stale" and difficult of sale.

The value of the service which the underwriting syndicate performs can scarcely be over-estimated. Without it the floating of large issues of securities would be almost impossible. The knowledge that a group of bankers stands ready to support and take the new issue themselves if they cannot dispose of it on favorable terms, gives confidence to every investor.

## THE MINERS' UNION: ITS BUSINESS MANAGEMENT

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BY FRANK JULIAN WARNE, PH. D.

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The United Mine Workers of America has a total membership in the United States exceeding 300,000. Its officials claim for it the distinction of being the strongest and largest single trade union in the world. It is well organized in at least ten of the twenty-seven coal-producing states, and is gradually extending its power into all of the twenty-seven. About 75 per cent. of all the coal mine employees in the country are at present members of the union; more than 85 per cent. of the total of 486,000 are governed by the union's scales and work under its conditions of employment, and, the officials of the union claim, fully 90 per cent. of all coal mine workers in the United States would go out on a strike if a national suspension of coal mining is ever found to be necessary by the union.

The general scheme of organization of the United Mine Workers bears a close resemblance, in many of its features, to that of our political organization. It is composed of national, district, sub-district and local unions. The jurisdiction of the national union is intended to cover the entire coal-producing area of the country. At present it is effective in Ohio, Indiana, Illinois, Kansas, Iowa, Missouri, Kentucky, Tennessee, Alabama, the hard coal fields of Pennsylvania and in portions of the central and western bituminous coal fields of that state. It also extends into Maryland, Virginia, West Virginia, Michigan, Arkansas, Indian Territory, Colorado, New Mexico, Montana and Texas.

Subject to the constitution of the national union and the legislation of the national convention the district union, as a general thing, has jurisdiction over a particular state. This is due to the convenience of state line divisions. There are exceptions, however. In Pennsylvania, for example, owing to the unusual prominence of the coal-producing area of that state, there are six districts—Numbers 1, 7 and 9, in the anthracite region; District 2, in the Clearfield

or central soft coal field; District 5, in the Pittsburgh or western bituminous coal field, and District 16, which also includes Maryland. In Indiana, District 8 covers the block coal field, and District 11 the bituminous coal territory of that state. In a few cases one district extends over more than one state—District 17 includes Virginia as well as West Virginia; District 21 takes in Arkansas and Indian Territory. Under the constitution and legislation of the district union are the sub-district unions. These sub-district unions have been made a feature of the organization in order that special regulation may be secured, in particular cases, for widely varying conditions, which prevail in almost every state, without placing the whole district in jeopardy when only small areas are affected. Within the jurisdiction of the sub-district are the local unions—the units making up the district and national unions. The local union is the smallest of the four unions. It usually has jurisdiction over the mine workers at a particular colliery or mine. It must have at least ten members. Over all the unions the constitution and legislation of the national union, and the agreement of the Interstate Joint Conference, which latter is entered into between representatives of operators and mine workers, takes precedence and are supreme. The district exercises authority and governing surveillance over the sub-districts, and the sub-district over the locals. Each union, however, has its own constitution and by-laws, its own officers and conventions and it legislates for its own particular area within the authority granted to it.

The United Mine Workers of America is one of the most democratic, with the possibility of it all at once becoming one of the most autocratic of any organization in the world. It is democratic in the sense that in the final analysis its policy and management is in the hands of its members. All power vests with them in their collective capacity. To them, in their local unions, every great question affecting the national union is referred sooner or later; from the local unions come the final decisions on all such questions. They nominate and elect, by direct vote of the members, the president, vice-president and secretary-treasurer; they indirectly, through their particular districts, elect the members of the National Executive Board; they choose the delegates that make up the national convention; they send instructions to this convention; upon most of the recommendations made to this convention by the president they instruct their delegates before the convention assembles how they



are to vote; they not only choose the national and their own local officers, but, through regularly elected delegates, they compose the sub-districts and districts, and through these determine the policy that is to be adopted in any particular instance.

Once a year representatives of the local unions meet in regular convention as the national union, usually at Indianapolis, beginning the third Monday in January, and for ten days or two weeks outline the policy of the national union for the ensuing year. This convention possesses absolute power; there is nothing affecting the organization it cannot do even to altering or amending its fundamental law—the constitution. It can even abrogate, if it so chooses, the agreement of the Interstate Joint Conference. The representatives to this convention are elected directly by the local unions on the basis of one vote in the convention for each one hundred members (or less), and an additional vote for each one hundred members or majority fraction thereof. No representative, however, can cast more than five votes on any question. The representative must be “a miner or mine worker or employed by the organization” and a member in good standing of a local union in the district where he resides.<sup>1</sup> The constitution of the national union interprets the term “miner or mine worker” as meaning “any one working in or around the mines *and a member of a local union.*” No member of the United Mine Workers occupying a position other than that of a miner or mine worker, excepting those holding positions with the organization, is eligible as representative to any sub-district, district or national convention. Special conventions, the delegates to which must possess the above qualifications, are provided for by the constitution.

The purpose of the national convention is to legislate on any question pertaining to the objects of the organization. These objects are expressed in the preamble to the constitution. “There is no fact more generally known, or more widely believed,” says this preamble, “than that without coal there would not have been any such grand achievements, privileges and blessings as those which characterize the twentieth century civilization, and believing as we do, that those whose lot it is to daily toil in the recesses of the earth, mining and putting out this coal which makes these blessings possible, are entitled to a fair and equitable share of the same: therefore, we have formed ‘The United Mine Workers of America,’ for the

<sup>1</sup> Section 2, Article V, of the Constitution.

purpose of the more readily securing the objects sought by educating all mine workers in America to realize the necessity of unity of action and purpose, in demanding and securing by lawful means the just fruits of our toil." The objects of the organization are declared to be:

First. To secure an earning fully compatible with the dangers of our calling and the labor performed.

Second. To establish as speedily as possible, and forever, our right to receive pay for labor performed, in lawful money, and to rid ourselves of the iniquitous system of spending our money wherever our employers see fit to designate.

Third. To secure the introduction of any and all well-defined and established appliances for the preservation of life, health and limbs of all mine employees.

Fourth. To reduce to the lowest possible minimum the awful catastrophes which have been sweeping our fellow-craftsmen to untimely graves by the thousands; by securing legislation looking to the most perfect system of ventilation, drainage, etc.

Fifth. To enforce existing laws; and where none exist, enact and enforce them; calling for a plentiful supply of suitable timber for supporting the roof, pillars, etc., and to have all working places rendered as free from water and impure air and poisonous gases as possible.

Sixth. To uncompromisingly demand that eight hours shall constitute a day's work, and that not more than eight hours shall be worked in any one day by any mine worker. The very nature of our employment, shut out from the sunlight and pure air, working by the aid of artificial light (in no instance to exceed one candle power), would, in itself, strongly indicate that, of all men, a coal miner has the most righteous claim to an eight-hour day.

Seventh. To provide for the education of our children by lawfully prohibiting their employment until they have attained a reasonably satisfactory education, and in every case until they have attained fourteen years of age.

Eighth. To abrogate all laws which enable coal operators to cheat the miners, and to substitute laws which enable the miner, under the protection and majesty of the state, to have his coal properly weighed or measured, as the case may be.

Ninth. To secure, by legislation, weekly payments in lawful money.

Tenth. To render it impossible, by legislative enactment in every state, for coal operators or corporations to employ Pinkerton detectives or guards, or other forces (except the ordinary forces of the state) to take armed possession of the mines in cases of strikes or lockouts.

Eleventh. To use all honorable means to maintain peace between ourselves and employers; adjusting all differences, so far as possible, by arbitration and conciliation, that strikes may become unnecessary.

The means for obtaining these ends are declared to be conciliation, arbitration or strikes. All three methods have been employed in the course of the union's existence.

In order to carry out the policy of the national convention, to enforce the constitution and for the conduct of the business of the national union, there is a president, vice-president, secretary-treasurer and an Executive Board, whose terms of office are from April 1 to March 31 of each year. These officials, with the exception of the Executive Board, are nominated by the local unions (a candidate must be nominated by at least three locals) and they are elected, during the first week in December of each year, by a majority of the popular vote of the members voting who are in good standing at that time in the national, district or local unions. Any member in good standing in the organization is eligible to hold office in the national union, provided he is not a salaried officer of a district at the same time and has been a member of a local union for one year preceding his election. The nominations are made by the locals on specially prepared blanks two months before the annual national convention. Every candidate thus nominated must be notified and his consent secured before his name is placed on the ballots. These are then sent to the locals from the national offices not later than six weeks before the convention is to assemble. Each member present in his local union meeting at the time of the election has one vote for each officer to be chosen. Severe penalties are attached to the violation, by any officer and local union, of the constitutional provisions governing the election. Not later than twenty days prior to the national convention the ballot of each local must be sent, in special envelopes, sealed, and marked "election returns," addressed to the national secretary-treasurer, and by this officer deposited in an unopened ballot box. Only the national auditors, or their alternates, who are also selected by popular vote, are to open this box. The result of this election as canvassed by them is reported to the national convention which declares elected to the respective offices those candidates receiving the majority of the votes cast. In case there is no election under this provision, then the convention chooses the national officers, each delegate casting by ballot the number of votes for which his local has paid per capita tax.

This referendum plan for selecting the officers of the national union became effective for the first time in 1902 and is still to be

regarded in its experimental stage. It has not given satisfaction, as recent elections have demonstrated that the rank and file take very little interest in balloting for the candidates except in those districts where strikes are in progress, or had just been closed, or were about to be inaugurated. A scheme is now under advisement to make participation in the annual election for national officers compulsory by fining members who do not vote unless a sufficient excuse can be given. Formerly the election of national officers was by delegates to the national convention. Under this plan it was possible to elect a national officer with less than a majority of the votes of the members of the local unions. It was also possible for officers or candidates to manipulate the election, or form a combination to control the affairs of the organization and perpetuate themselves in power. The plan of election by popular vote was designed to obviate these defects.

When the national convention is not in session all power under its legislation and the constitution of the national union is vested in the national officers. During this time, which is for all but about two weeks of the year, supreme authority is, in the final analysis, in the hands of one man—the national president. In case of conflict of policy, the decision of the president is final. He has power to suspend or remove any national officer “for insubordination or just and sufficient cause”;<sup>2</sup> he temporarily fills all vacancies in the national offices. The constitution provides that in the exercise of the power of removal and appointment he shall have the consent of the Executive Board, but he can suspend or remove the members of this board. He has strong influence over them in still another way: as members of the board these officers receive no salary, but nearly all of them are paid \$4.00 a day and expenses as organizers. Their positions as organizers depend entirely upon appointment by the president. Besides, the president with the vice-president and secretary-treasurer are members of the board. It convenes at his call and is presided over by him. He decides all questions of dispute concerning the meaning of the constitution; he signs all bills and official documents; he determines the salaries of all employees with \$3.50 or less a day and who are not elected by the national convention. He presides at all national conventions, both regular and special. Usually he presents an address to these gatherings, review-

<sup>2</sup>Section 2, Article II, of the Constitution.

ing the work of the national union and recommending whatever action he deems best upon any question before the organization. His recommendations are generally adopted. He calls special national conventions when instructed by the Executive Board, or requested by five districts. He also summons conventions of two or more districts. He may, at any time, in person or through a national officer, visit local unions, district or sub-district conventions and any other places connected with the organization; he may appoint representatives to examine the financial accounts of any local union and instruct its officers in their duties; in brief, he exercises general supervision over the workings of all the unions—local, sub-district, district, as well as national. In 1902 he was paid a salary of \$1,800. This amount has since been increased to \$3,000. He is required to devote his time and attention to the organization.

No strike can be ordered by any district, nor can final action be taken upon any questions directly or indirectly affecting the interests of the mine workers of another district, until the approval of the national president is secured in writing, or, he having disapproved, until favorable action upon an appeal from his decision has been taken by the Executive Board. An exception to this, of course, is in case the strike or action has been ordered by the national convention. Local strikes are under the jurisdiction of the district officers. Together with the other national officers, the president has the power to order a suspension of mining operations by members of the union in any district or districts where such action is deemed advisable for the settlement of a strike in another district, or for the good of the union. The national officers form districts and assign to them the number of men and the extent of territory they are to have jurisdiction over; and they may at any time change the boundary and jurisdiction of any district.

The vesting of such great power, by the United Mine Workers of America, in the hands of one man is due primarily to the exigencies of strike times when, for all practical purposes, the union becomes a military-like organization in the control of which there must not be the least possibility of divided leadership. Labor unions have been taught through sad experience, and none more so than the United Mine Workers, that an industrial army moving for higher wages and better conditions of employment must have but one commander-in-chief if the possibility of defeat is to be reduced to a minimum.



Next in importance to the president in the conduct of the national union is the Executive Board. This board is in a sense the organization's board of directors. It is composed of one member from each district. Unlike the selection of the president, the members of this board are not chosen directly by the local unions, but by the district conventions made up of delegates elected by the locals—somewhat like the choosing of United States Senators by State Legislatures. At the present time there are twenty-three members, one each from the twenty districts throughout the country, and the president, vice-president and secretary-treasurer who are members *ex-officio*. This makes the board too large and unwieldy for expediting business and recently, with the rapid spread of the union and the consequent increase in the number of districts, this question has come to be a very serious one to the officers of the organization. It is more than probable that before long some other plan for selecting the board members will be substituted. Formerly, the national convention elected the six or eight members of the board. Another objection to the board, as at present constituted, is that each member has one vote in its deliberations. This gives to a district having only 2,000 members (such as District 16 in Maryland), as much voting influence as a district having 75,000 mine workers (such as District 1 in the anthracite region of Pennsylvania). This makes it possible for board members representing but 20 per cent. of the total membership to determine the policy of the national union when the convention is not in session. The evil of this defect is somewhat lessened in its scope by the constitutional provision making necessary a vote of two-thirds of the members of the board before a general strike or national suspension order can be issued, and by the power of suspension and removal lodged with the president. The evil of this inequality in the voting strength of the districts in the board has been made still less serious as a result of the anthracite strike in 1902. In the convention of 1903, following that memorable struggle, President Mitchell, in his annual address, said on this point: "Our membership in the anthracite fields represents practically 40 per cent. of the total membership of the organization, while the voting strength of the three members of the National Executive Board from the anthracite field is only about 15 per cent. of the voting strength of the national organization on the Executive Board." He stated that he did not believe

any advantage would be taken of this disproportionate representation, "but in order to overcome what appears to be a plausible objection on the part of the anthracite railway presidents to recognition of our union, I should recommend that upon the question of inaugurating a strike in the anthracite field, the anthracite members of the National Executive Board be given equal voting power with the members of the Executive Board from the bituminous fields. Upon all other questions the voting strength of the members of the board may remain as at present." This recommendation of the president was adopted by the convention in passing an amendment to the constitution providing that each member in the Executive Board, in voting on the question of a general strike or suspension, "shall have one vote, and one additional vote for every 5,000 members in good standing they represent, or a majority fraction thereof."

This Executive Board, including the president, wields power next in importance to that of the national convention; in fact, it executes the orders of the national convention and between conventions exercises full power to direct the workings of the national union, including the levying and collecting of assessments. Not only does it have the power to order a general strike or suspension, but it can overrule, upon appeal, the decisions of district officers upon questions affecting strikes within the district. It is also a court of appeal upon questions affecting the interests of two or more districts, excepting in those cases where the national convention has taken action. The board convenes upon the order of the President, its presiding officer or chairman, or of the secretary-treasurer at the request of eleven of its members. It may at any time instruct the president to call a special national convention. It holds in trust for the national union all moneys in the treasury over \$15,000. Among its other duties is that of a National Board of Conciliation and Arbitration.

Nearly all the members of the Executive Board are employed by the president as national organizers. As such they receive \$4.00 a day and expenses. These are the "walking delegates." They bear the brunt of the fight, are always to be found in the thickest of it and generally constitute the advance guard of the field force of the organization when an invasion of territory heretofore unorganized is decided upon. They are the missionaries of the new doctrine as to the rights of man; they usually are compelled to blaze it forth

to their kind in a wilderness of conflicting passions and class hatreds; they are met with suspicion and bitter antagonism even from those they would save from industrial servitude. These organizers are of many tongues; they go among strange peoples from many climes. They teach their doctrine of unionism alike to the Negro, the Slav, the Lithuanian, the Greek, the German, the Englishman and the American. Through months and even years of bitter antagonism, of almost crushing opposition, they work patiently at their tasks to bring the many nationalities into the organization and to mould the heterogeneous mass into unity of belief and action. Fearless and undaunted they bear persecution and suffer imprisonment and even death for the faith that is in them. However far apart one's views may be from the ends and objects professed by these organizers, if he could but see the spirit of martyrdom often exhibited by them, he would believe, as the writer does, that they are performing a real and a lasting work as pioneers in the formation of our industrial state.

These organizers, going into coal fields whose mine workers are outside the national union, begin their task by getting into personal touch with the men. They stop them on the street corners, visit the places in which they are in the habit of congregating, distribute among them tracts containing information about the organization and in various other ways plant the idea of unionism in the minds of a few of the men. From these few it spreads, at first almost unobservable, until gradually more and more of the workers begin talking about "the union" and by degrees nearly all the employees of the mine, or, where the mines are in close proximity, the employees of a number of mines, are discussing the objects and benefits of organization. When he thinks the time opportune, the organizer calls a meeting of those he believes interested in the movement and organizes them into a local union. They secure a charter and other supplies from the national headquarters for \$15.00 and are assigned a number by which the local is to be officially known. In cases, the jurisdiction of a local may extend to two or more collieries or mines, but as a rule it is confined to the employees of a single mine. Where a mining plant employs several thousand men, they are organized into a number of locals, according usually to nationality, or language or place of residence in case they are scattered in nearby mining towns.

Once the national union gains a foothold in a coal field its spread is rapid or slow depending upon the particular conditions encountered. Miners, mine laborers and other workmen, skilled and unskilled, employed in and about the mine, excepting the mine manager and the top boss, may join its ranks. No one is excluded because of race, color or nationality. Each member is expected to pay twenty-five cents a month as dues and whatever assessments are levied. He is provided with a "due card" upon which the amounts paid by him are entered. This card is his evidence of membership. (In some coal fields, in the anthracite region of Pennsylvania for example, where the union is not recognized by the operators, the members wear buttons in the lapels of their coats as indicating membership in the organization.) Provision is made for issuing transfer cards when members go from one mine to another. Local unions are compelled to accept all properly made out transfer cards and must admit the holder to membership provided he has been a member of the organization for at least three months. No member in good standing who holds a due or transfer card "shall be debarred or hindered from obtaining work on account of race, creed or nationality."<sup>3</sup> When any member is suspended or discharged from his place at the mine, a committee of the local (the mine committee) makes an investigation, and if it finds that the member is not guilty of an offense justifying his discharge, the grievance is reported in writing to the sub-district and district presidents and if, upon investigation, they find the report of the committee to be correct it is made their duty to insist upon the reinstatement of the suspended or discharged member. Members of the locals elect their own officers every six months and legislate for their own particular area subject to the constitutions of the national, district and sub-district unions. Each local is compelled to become a part of and to contribute to the sub-district located within its district before it can secure representation in either the district or national unions, and to secure the benefits of the national union the local must at all times be in good standing with the national, district and sub-district unions. All locals three months or more in arrears for dues or assessments are published each month by the national secretary-treasurer. This is called the "unfair list" by the locals in good standing.

It is in the local union that strikes usually have their origin. Its

<sup>3</sup> Section 3, Article VII, of the Constitution.

members are the workers in and about the mines and are the first to feel the effects of the adverse conditions of employment which give rise to grievances. Whenever any difference arises between the members of a local and their employers it is made the duty of the officers of that local to endeavor to effect an amicable adjustment, and failing in this to notify the officers of the district having jurisdiction over the particular local. If the district officers, after an investigation of the cause of the complaint, fail to effect a peaceable settlement "on a basis that would be fair and just to aggrieved members,"<sup>4</sup> and find that a strike would best serve the interests of the particular locality, they may order the inauguration of a strike. The local has the right of appeal from the decision of the district officers to the National Executive Board. Local strikes not approved by the district officers, or the National Executive Board, are not supported by the district, and any local union striking in violation of these provisions may not be recognized by the national officers. In fact, such unauthorized action on the part of a local union has resulted in its being deprived of its charter. Suspension of local unions has occurred on several occasions during the past five or six years. The charter of a local union at Salineville, Ohio, was revoked in 1902 because it engaged in a strike disapproved by the national officers.

No district can take final action upon questions that directly or indirectly affect the interests of the mine workers of another district, or that require a strike to determine, until the president and secretary of the aggrieved district "shall jointly prepare, sign and forward to the national president a written statement setting forth the grievances complained of, the action contemplated by the district, together with the reasons therefor, and the national president shall, within five days after the receipt of such statement, either approve or disapprove of the action contemplated by the aggrieved district, and such approval or disapproval, together with the reasons therefor, shall be made in writing, and a copy forwarded to the secretary of the complaining district. Should the action contemplated by the aggrieved district receive the approval of the national president, the district shall be free to act, but should the national president disapprove the action contemplated, the district may appeal to the National Executive Board, which shall be convened to con-

<sup>4</sup> Section 1, Article X, of the Constitution.



sider such appeal within five days after its receipt by the national secretary. Until the national president has approved, or the National Executive Board has sustained the appeal, no district shall be free to enter upon a strike unless it shall have been ordered by a national convention."<sup>8</sup> . . . "The national officers shall, at any time they deem it to the best interest of mine workers in a district that is idle, for just and sufficient reasons, order a suspension in any other district or districts that would in any way impede the settlement of the district affected: provided, that such action would conserve to the best interest of the United Mine Workers of America."<sup>9</sup>

As the machinery for the inauguration of a strike is first put in motion by the local union, so does the success of the strike depend to a large degree upon the support given by the locals, not only by those whose members happen to be on strike but by those in other fields whose members remain at work. The members of the locals constitute the rank and file of the organization—they are the privates, corporals and sergeants of the great army of mine workers moving toward an improvement in the conditions of their employment. In peace times they prepare the organization for strikes by contributing, in dues and assessments, to the district and national unions besides providing for their own local treasuries. So well did they do this in 1902 that immediately upon the special national convention issuing its appeal for relief to carry on the anthracite mine workers strike, District 12 (Illinois) contributed \$50,000 from its treasury; District 8 (Indiana), \$10,000; District 11 (Indiana), \$8,000; District 13 (Iowa), \$5,000; District 2 (Central Pennsylvania), \$3,259.50; and Districts 25 (Missouri) and 20 (Alabama), \$1,000 each. Only a month before this appeal was issued District 12 (Illinois) had contributed \$50,000 for the conduct of the strike in the two Virginias, making \$100,000 from one district alone within two months for carrying on strikes. Besides the districts, the sub-districts and locals in all the organized coal producing states contributed in the aggregate a large sum from their respective treasuries to prosecute the strike of the anthracite miners.

Under the constitution every local union is required to pay into the national treasury a per capita tax of ten cents a month for each member and such additional assessments as may be levied by the

<sup>8</sup> Section 2, Article X, of the Constitution.

<sup>9</sup> Section 3, Article X, of the Constitution.

National Executive Board. Boys under sixteen years of age are regarded as half members and pay one-half as much tax and assessment as full members. In the deliberations of the local each boy member has one-half a vote. These dues and assessments from the locals form the principal sources of income for the national union. When a strike of unusual proportions is in progress contributions from other labor organizations and from the general public increase the funds in the national treasury. The important part these play in the conduct of the organization was shown during the six months' strike in the anthracite region of Pennsylvania in 1902. To carry on that struggle alone, not including the expenses accompanying the strike of mine workers in progress at the same time in the Virginias, the various unions of the United Mine Workers of America voluntarily donated \$258,344 and the members of the organization paid in special assessments \$1,967,026, a total of \$2,225,370. This is more impressive when it is remembered that more than one-half of the members of the union, including the 147,000 anthracite mine workers, were on strike and in consequence made no contributions to the defense fund. From the trade unions and the general public \$419,954 was contributed. The total amount paid by the United Mine Workers for strike purposes, from January 1 to December 31, 1902, was \$1,889,202. This included the cost of smaller strikes in seven districts besides the ones in the three anthracite districts of Pennsylvania and the district covering the two Virginias. A total of 184,000 mine workers in the United States were on strike for two months and 160,000 for five months during 1902. In that year the total income of the United Mine Workers of America was \$3,010,877.82, and the total expenditures \$2,080,805.44. At the beginning of 1903 there was a balance in the national treasury of the union of \$1,027,120.29.<sup>7</sup>

All this indicates the importance of the financial organization of the United Mine Workers of America. This constitutes one of the strongest features of the national union. At its head is the secretary-treasurer nominated and elected directly by the vote of the members of the local unions. He conducts all the business of the organization concerning the management of national headquarters, having charge of all books, documents and effects; supervises the management of the *Journal*, the official weekly organ of the union;

<sup>7</sup> Report National Secretary-Treasurer, 1903.

receives all moneys and pays all bills, excepting when the president orders otherwise, and providing that not over \$15,000 is subject to the secretary-treasurer's order at any one time. All sums over this amount are deposited by him to the credit of the Executive Board, and to draw upon these a written order of two-thirds of the board members is necessary. He is required to give a bond of \$25,000. His yearly salary in 1902 was \$1,500 and expenses, but it has since been increased to \$2,500 and expenses. As a rule he reports quarterly to the locals the condition of the national treasury.

Over all the sources of revenue and expenditure the national secretary-treasurer enforces strict discipline with severe penalties for violations of the rules. Each secretary of a local is required by the national constitution to fill out and forward to the national and district secretary-treasurers, before the twenty-fifth of each month, a report of all members in good standing in that local on the first day of that month, together with all taxes and assessments due from it to the national and district officers. For a violation of this provision a local union is subject to suspension from all privileges or benefits until the deficiency is made good. To keep a check on these reports the local secretary must inform the national office of the amount of money paid and the number of members reported to the district secretary, and to the district office the amount of money and number of members reported to the national secretary-treasurer, and he is required to certify that such report is for the full number of members in good standing in the local. Despite these constitutional provisions not a few of the locals fail to report the full number of members in good standing, excepting about the time of the national convention and they do it then in order to secure in the convention as large a voting representation as possible. The reason for their not making the full report is generally traced to the desire of the locals to have their own treasuries well filled in order to meet their own particular wants. Some of the locals have in this way succeeded in purchasing ground and erecting a building for their headquarters. All financial officers of the local unions are required to give a bond "for the faithful performance of their duties." It sometimes happens, however, that officers prove faithless to their trust and abscond with the moneys. The national union makes efforts to have them arrested and punished, but it does not always succeed.

If the members of a local are idle for one month or more they are exonerated from the payment of the per capita tax and assessments until they resume work. This condition may occur through a mine, or colliery, being abandoned or idle for repairs, by a strike or other causes. But to secure such exoneration a request, signed by the president, secretary and Mine Committee, must be approved by the district and national secretaries each month in place of the regular monthly financial report as long as the members are idle. In case the local union is in arrears for two months preceding the one in which the convention is held and has not in every particular complied with the constitution of its district, or has less than ten members, it is not entitled to representation in the national convention.

So well organized are the financial features of the United Mine Workers of America that the national union was able to carry on a widespread system of relief to the needy anthracite mine workers during the closing two months of the 1902 strike. In this relief work no distinction was made between union and non-union men. In fact the testimony of many witnesses is to the effect that aid was furnished as freely to the non-union as to the union mine workers. For this relief work the members of the locals were organized into committees of various kinds. Applications for relief were investigated by one of these committees and if conditions were found as represented, orders for merchandise on local grocers were furnished. On the face of the order was stated the amount for which it was drawn; on the reverse side were blanks for the dates, name, quantity and price of the articles purchased. Both the merchant and purchaser signed the order, when goods to its face value had been bought, and then returned it to the committee, which presented it to the district secretary-treasurer for payment. This officer then secured direct from national headquarters the necessary amount to pay the bills. In some parts of the Schuylkill field it was found necessary for the union to establish commissaries and furnish the needy with food direct from its own supplies. In some parts of the West Virginia field, while the strike there was in progress, scores of tents were erected in the woods for sheltering strikers who were driven from their homes. Food and clothing bought in carload lots by the national union was shipped from the large cities to the disturbed districts and distributed among the strikers.

Not only does the financial feature of the organization indicate that the United Mine Workers is founded upon business principles, but there is still another phase of the work of the national union which more strongly emphasises this statement. This is the holding of an annual joint conference with representatives of the operators and coal mining companies of Ohio, Indiana, Illinois and the Pittsburg field of Pennsylvania. In these conferences labor is regarded as a commodity and the possessor of this labor—the mine worker—is accorded the right, through representatives of the union, to “bargain” with representatives of the purchasers of that labor—the coal mining companies—for the price of his labor and the conditions under which it is to be sold. This joint conference movement in these four states dates its beginning in 1885, although there have been periods since then when it was inoperative.<sup>8</sup> The periods when it was not in force were years of depression in the coal trade, accompanying general industrial paralysis. The United Mine Workers of America had come into existence at Columbus, Ohio, January, 1890, by the amalgamation of the Progressive Union and the National Trades Assembly, No. 135, Knights of Labor, both of which organizations had claimed jurisdiction over the mine workers of the country and between whom there had been bitter and open hostility. To this division in the ranks of the mine workers and to the fact that the young organization was for a time too weak and adverse conditions were too strong, is partly due the failure to hold the joint conferences at intervals preceding 1898. They were restored following the general suspension of soft coal mining in eight of the states in 1897 and have been held annually since then. In Iowa, Kansas, Missouri, Kentucky, Tennessee and Alabama annual joint agreements are also signed between representatives of the mine workers and of the operators in each state. The conferences in the six last named states are held separately and are not a part of the so-called interstate agreement of the central competitive district. The agreements entered into, however, cover in general the same specific points, stating the wages that are to prevail along with specified conditions of employment.

Through these contracts and agreements not a few of the

<sup>8</sup> For a complete and detailed account of the origin and operation of the Interstate Joint Conference the reader is referred to the author's article, “The Union Movement Among Coal Mine Workers,” *Bulletin of the Bureau of Labor*, Department of Commerce and Labor March, 1904, No. 51.



objects of the national union have been attained and undoubtedly better conditions of employment have been secured for the mine workers in the states where they are in effect. Since the great strike of 1897 the United Mine Workers has extended the eight hour workday into the mines of Iowa, Missouri, Kansas, Michigan, Kentucky and parts of Tennessee, and has secured for the mine employees of those states increases in wages ranging from 13 to over 30 per cent. Increases in the wages of mine workers in other states have also been secured through joint conventions with the operators, and increases in wages, with improved conditions of employment, were forced from the railroad mining companies and independent operators in the three hard coal fields of Pennsylvania in 1900 and 1902. Arbitration of the questions in dispute between the anthracite mine workers and the operators, by a commission appointed by the President of the United States, was also forced upon the hard coal mining interests. Since 1898 the membership of the national union has increased from 43,000 to nearly 300,000. Of this total membership about 185,000 mine employees, producing annually 125,000,000 tons of bituminous coal, or over one-third of the total coal production of the United States, now work under agreements. Many of the 147,000 anthracite mine workers are strongly organized in the national union, but as yet they have been unable to secure agreements from the coal hauling railroads which virtually control the mining operations. These hard coal miners produce annually about 60,000,000 tons. The remaining 115,000 mine workers of the country, producing annually about 100,000,000 tons of bituminous coal, and employed principally in the states west of the Mississippi and in West Virginia, Virginia, Michigan, Maryland and in central and western Pennsylvania, are as yet unorganized in the United Mine Workers and have no agreements with their employers.

Enough has been said to show that the management of the United Mine Workers of America is as much of a business as is the conduct of any of the great industrial or commercial enterprises of the present day. It directs its strength against those forces tending to keep down the price of its commodity—mine labor—with as much regard for its own particular interests and in disregard of the interests of others, where and when these conflict, as does any of the industrial or other trusts. In order to control the price of mine labor it aims to prevent mine workers from selling their

labor at a lower price than that set by the union. It does this by taking them into the organization, and persuading them to sell their labor at union prices, or by driving them out of the industry, just as the great Steel Trust endeavors to absorb or destroy the independent steel manufacturer, or as the Sugar Trust attempts to control or drive out the independent refiner. The mine worker refusing from one cause or another to be governed by the union in the sale of his labor is the independent producer of mine labor, or the non-union man. In driving out the commodity he has to sell the union is forced to attack the individual as it is impossible to dissociate the one from the other. In consequence violence and bloodshed results. Not only does the union attempt in various ways to control this independent producer of mine labor in the selling of his commodity, but not unlike the so-called trusts, in fixing the price of this labor and the conditions under which it is to be sold, it brooks no interference from other organizations which have mine labor to sell if it feels itself strong enough to prevent it. This is well illustrated by the United Mine Workers practically driving out of the anthracite fields of Pennsylvania the separate organizations of blacksmiths, engineers, carpenters and firemen which existed in one or more of the three fields prior to the recent strikes. We see it again in the union's steady absorption of the mine employees in the coal producing states west of the Mississippi River, most of whom have been under the jurisdiction of the Western Federation of Miners, an organization composed principally of quartz miners, and the Western Labor Union. If it ever becomes necessary, in order to attain its objects, or once attained, to prevent these objects being lost, the same absorption by the United Mine Workers of the coal miners of Canada and Nova Scotia may be looked for.

Trade unionism, under the stimulus of the United Mine Workers of America, has come to be a business operation on a large scale. As a business its success depends upon the close observance of market conditions and the obeying of laws governing those conditions. Most trusts deal with material commodities—goods that have no feeling or mode of independent action. They are thus able usually not only to increase the price of their particular commodity on a rising market, but if they so wish to reduce prices on a falling market. The difference with the trade union is that it deals with a commodity possessed by an individual with feelings and sympathies

and modes of independent action. The general experience has been that when a period of falling prices sets in, the possessor of mine labor objects strongly to reducing the price of his labor—his wages. The past teaches us that he persists stubbornly, even against the advice of the leader of his union, in his refusal to reduce his wages and will go to the extent of striking against such reduction. The trade union also confronts great difficulties in raising the price of its commodity on rising markets largely due to the fact that the consumers of labor, unlike the consumers of most trust commodities, are strongly organized. The part of the intelligent labor leader—of the business manager of labor—is closely to observe the conditions of the labor and general markets and all factors likely to affect the wages of the worker—the price of labor—and to direct his organization along the lines they indicate is the proper course. A study of such conditions is provided for in the constitution of the United Mine Workers by giving to the president, with the consent of the Executive Board, the power to appoint a man whose duty it is to collect and compile statistics on production, distribution, consumption, freight rates, market conditions, and any other matter of interest connected with the coal trade likely to affect wages.

## THE CAUSE OF BUSINESS STAGNATION

AN INQUIRY INTO THE INTER-RELATION OF THE INDUSTRIAL AND  
THE FINANCIAL WORLD

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BY HUGO BILGRAM,  
Philadelphia, Pa.

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Not long before his death the late Senator Mark Hanna expressed his belief that the then prevailing prosperity had come to stay. Unfortunately, events have since shown that his words were the reflection of a desire rather than a prophetic inspiration. In the light of our experience the periodical recurrence of business depressions seems to be a persistent characteristic of the modern industrial era. The present time may be opportune to propound the question whether these recurring depressions are really an inevitable concomitant of industrial progress. If their cause can be discovered, it may be possible to suggest a remedy.

This inquiry must take into account all the symptoms accompanying the alternating periods of prosperity and depression, for no attempted explanation can be accepted as correct unless it can account for them.

One of the most prominent features of dull times is the apparent deficiency of effective demand for both labor and its products. A demand is "effective" if coupled with the intention and ability to give an equivalent in exchange for the thing demanded.

Considering that money is merely a medium for exchanging commodity for commodity, or commodity for service, or service for service, the offer of any commodity or service implies an effective demand for some other commodity or service. Each application for employment, each offer, in the market, of service or merchandise, is accordingly the measure of an effective demand for some other commodity or service in exchange. In other words, each actual supply constitutes an effective demand, and it manifestly follows

that an exact equality constantly exists between total actual supply and total effective demand. While it is possible that in any one branch of production or in any one profession there may be an excess of supply over demand, this very condition is proof of the existence of an excess of the demand over the supply of the products of some other trade or the services of some other profession.

Apparently, this theory is contradicted by the facts developed during periods of stagnation. In every trade the supply exceeds the demand, in every branch of production goods accumulate for the lack of demand, the volume of traffic shrinks far below the capacity of the railroads; in short, everywhere, and especially in the labor market, the actual supply exceeds the effective demand. Yet, according to the above law this excess of supply must somewhere be balanced by an equal excess of demand or deficiency of supply. Is our theory defective? Or is the equalization effected in some way not apparent on the surface and in quarters where the lack of supply has hitherto not been clearly recognized?

A close study of our system of production and exchange may furnish a clue. The modern industrial era is distinguished by a most minute specialization of production, entailing a correspondingly complicated system of exchanges. The practical impossibility of effecting these exchanges by any system of barter is obviated by the use of a medium of exchange, which has therefore become an indispensable instrument of commerce. The historic evolution of this medium of exchange from cattle and other things of value to silver and gold, then to these metals in coined form and ultimately to credit instruments is too well known to need disquisition here.

In the present system practically all merchandise and nearly all services are primarily offered for a money consideration. Barter and payments in kind have almost completely disappeared. But the introduction of a medium of exchange cannot affect the law according to which the sum total of supply must equal the sum total of effective demand. We have still good reason for concluding that there is an insufficient supply somewhere.

Inasmuch as all merchandise and services offered in the market represent primarily an effective demand for the medium of exchange, an excessive supply of the offerings of the market constitutes an excessive demand for money and its substitutes. The observed facts, then, point to "money" as that of which the supply is deficient and



short of the demand, the deficiency being equal to the over-supply of merchandise and services.

This over-supply, ordinarily regarded as "over-production," is accordingly capable of only one logical interpretation. Currency being an institution whose legitimate object is to facilitate the exchange of merchandise and services, for which purpose it is further supplemented by the modern check system, the above reasoning points to the conclusion that even when so supplemented our currency is inadequate to perform all of the work for which it was devised and instituted. Stagnation in business, then, finds a ready explanation in the deficiency of our mechanism of exchange.

This contention is by no means a new one. It has already been discussed by John Stuart Mill,<sup>1</sup> but while admitting an under-supply of money, he failed to pursue this line of investigation to its logical conclusion. Also other writers have referred to it, many of whom consider it untenable, for reasons, however, which are open to dispute.

The substitution of credit instruments for actual currency in many of our business transactions is often claimed to cover every possible shortage of currency. But in the present banking system the volume of that credit which can be used in lieu of cash, namely, bank accounts, never can exceed more than a limited number of times that portion of our currency which is held in banks as reserve, and is therefore strictly limited by the limited volume of currency. While the check system, in performing the function of money, greatly adds to our exchange facilities, yet its limitation prevents it from supplying the entire demand, which is constantly increasing; for the volume of exchanges tends to increase with every progress in the specialization of industries, and this increasing demand has simply outrun the increased supply.

However, the most plausible objection to the conclusion that we are suffering from a dearth of money is based on the fact that business depressions are not permanent, but alternate with periods of prosperity, while the volume of currency in existence during both periods of the cycle is practically the same. Indeed, during times of depression banks are, as a rule, amply supplied with funds which they offer at a low rate of interest. This very fact is generally considered to indicate the existence of a surfeit of money. But this

<sup>1</sup> *Princ. Pol. Econ.*, Mill, Book III, Chapter 14.

conclusion can be shown to be erroneous, since it is possible to account for business fluctuations even on the assumption that the volume of currency were a strictly constant quantity.

It should be remembered that at times a large portion of the existing currency is virtually withdrawn from circulation, not only by hoarding, but also by holding funds for the purpose of lending. Only that portion of the total volume of currency and bank accounts is in actual circulation which is in control of those who intend employing it in commercial pursuits, such as buying things or paying wages. That portion which is held for lending is temporarily withdrawn from circulation. Not until the lender finds an acceptable borrower will it be restored to its natural function, unless, indeed, the owner changes his intention of lending it and employs it in the market directly.

A distinction should therefore be made between funds in circulation and funds held for lending. The latter are in a passive state as regards demand for goods or services and cannot be classified as money in circulation. The total volume of currency and bank accounts should accordingly be divided into two parts, the volume of passive and that of active funds, the one embracing that portion which is held for lending, the other that which is held for buying things and for paying wages. It is true that this distinction is rather indefinite, depending upon the subjective factor: "Intention of the Owner," which in many cases may not even have been formulated, but as in the present investigation only actual transactions need be taken into account, the subjective factor, "Intention," can virtually be transferred to the province of the objective by a proper classification of those transactions. Let us assume that the intention is determined by the nature of the transaction which immediately precedes, leaving departures from this rule to be considered separately.

For this purpose certain qualifications and premises must be agreed upon. In the argument here adduced the term "Debt" will be strictly confined to those relations between creditors and debtors resulting from the lending of funds, excluding those which are contracted in the regular course of business and which merely constitute a delay of payment for merchandise and services. Investments in stocks of a stock company, for instance, cannot be regarded as money loans, while investments in bonds distinctly belong to this

category. Moreover, the principal of a loan should be strictly distinguished from the interest, a discounted note being, of course, a loan of the discounted sum only, and the discount itself simply interest. For the purpose of our discussion, as regards "Intention," it will be reasonable to assume that not only the principal of collected "Debts" but also the incomes from such investments will again be applied to similar investments and they will accordingly be assigned to the volume of passive funds, while incomes from industrial investments are similarly to be assumed as intended for industrial investment and will therefore be assigned to the volume of active funds. To be sure, departures from this rule will frequently occur, as already indicated, and these will be considered in their proper place.

After these preliminary remarks, the import of which will become more apparent further on, we may again return to our subject.

In the regular course of business a continuous circulation of funds takes place between the two divisions noted. There are three channels through which money may flow from the volume of passive to that of active funds and three in which the flow is in the opposite direction. This circulation can be illustrated by the diagram, Fig. 1, in which the sum total of all funds is represented in an enclosure divided into two compartments containing the respective divisions of these funds by a partition with openings through which the various currents are passing to and fro.

One current from the passive to the active division results from "Loans," that is to say, from the process of lending. From this current must obviously be excluded all loans to those who but lend again, such intermediation having no effect on the actual volume of loans. A second current results from a direct restoration to activity of funds that had been in the passive state, for instance, when a portion or all of the interest received on loans or of the principal of paid debts, instead of being again used for loans, as assumed in our premises, is used for living expenditures or is invested in industrial or commercial pursuits. This is one of the departures to which we have above adverted. There is still a third current in the same direction, though comparatively insignificant, consisting of commissions paid to agents and trust companies for attending to loans and collecting debts and interest, as well as of taxes, where the busi-

ness of lending is burdened with taxation. These cover payments for services rendered and other items constituting "Cost," which term is here confined, of course, to the expense of conducting the business of lending.

To facilitate our investigation, these currents may be denominated by the letters: L (Loans), E (Expenditures), and C (Cost).

The first current flowing from the active to the passive division consists of funds applied to the payment of "Debts," related to which is the second current consisting of the payment of interest. In this latter current is of course included the interest paid on bonds, but not dividends paid on stocks, inasmuch as we are here considering only loan transactions. We have next to consider another departure from our assumed premises, a departure which forms a third current from the active to the passive state. We had assumed that funds employed industrially or commercially are in the active state. But as such funds are frequently diverted into loans, which we have assumed as flowing from the passive division, it follows that such funds must previously have been transferred to that division, a transfer which is to be recognized as the third current. Thus, for example, workingmen take part of their earnings to savings banks where the funds are loaned out, merchants or manufacturers lend out some of their profits by investment in bonds, or stockholders apply some of their dividends to loan on mortgage. Such lending of funds previously in circulation is accordingly a dual process, namely, a transfer from the active to the passive division through "Savings," and another passage in the opposite direction through "Loans." This double passage must be recognized for reasons that will appear later.

Reverting to the subject of the second current we should consider that the market rate of interest paid on loans is determined by three economic factors and should accordingly be divided into three parts, namely:

*First*, "Cost," comprising the current expenses of lending, such as commissions paid to agents attending to the business of lending as well as other items of cost. This part is equal to the previously discussed current C.

*Second*, the insurance against "Risk" which inevitably attends the business of lending.

*Third*, the net profit on money loans or "Interest Proper."

Let us denominate these currents by the letters P (Payments of Debts), C+R+I (the three parts of gross interest: Cost, Risk and Interest Proper) and S (Savings devoted to Lending).

If we now further denote by V the volume of active funds and by dV the change or differential of this volume within a given period, and if we disregard, for the time being, any possible changes of the total volume of funds, such as may result from coinage, the issue or withdrawal of currency, the expansion or contraction of bank deposits, etc., it follows that the change of volume, dV, within a given period is determined by the volumes flowing through the several channels within the same period, hence:

$$1. dV = L + E + C - P - (C + R + I) - S = L + E - P - R - I - S.$$

This formula will be used later for further deductions.

In studying the cycle of prosperity and depression there is another item demanding consideration. It is well known that periods of business depression are invariably preceded by more or less pronounced financial crises manifesting themselves by an increased number of business failures. This would indicate that the indebtedness of the industrial to the financial world exceeds the ability of borrowers to pay their debts. To be sure, in this connection we must not leave out of sight that we are here concerned only with money loans and the indebtedness thereby accruing.

The volume of this indebtedness is increased by that current of funds from the passive to the active division which is dominated by the letter L in the preceding deduction and is reduced by the reverse current P. There is, however, another factor reducing the volume of debts, namely, the depreciation of their value due to the insolvency of debtors. A vast amount of lenders' assets is annually ruled off to loss on this account. But in the aggregate this loss is balanced by that portion of the gross interest known in economics as insurance against risk, which has been discussed above and designated by the letter R. It follows then that these three currents are the factors which bring about an increase or a decrease of the volume of indebtedness, according as the opposing currents predominate in the one or in the other direction. If now the letter D is used to designate the volume of indebtedness and dD the change or differential of this volume during a given period, it is evident that

$$2. dD = L - P - R.$$

The reason for carefully defining the term "Debt" as well as

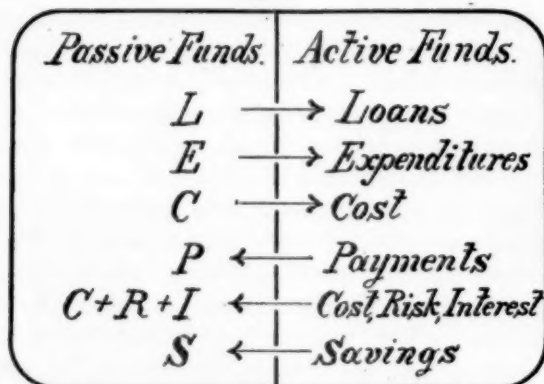


for considering the lending of money previously in active circulation to constitute a dual process will now be understood, for only on these premises will the currents embraced in this formula be identical with those of equal denomination in equation 1, and both equations may accordingly be combined and solved for  $I$ , the resulting equation being:

$$3. I = E - S + dD - dV.$$

This equation will reveal some very instructive information if subjected to careful analysis. As it refers to given periods, it is true for short as well as for long ones. The terms  $E$  and  $S$  will increase approximately in proportion to the time embraced in the period, while the differential terms  $dD$  and  $dV$  will merely fluctuate. At

*Fig. 1.*



times they will be positive, at times negative; in short, they are not cumulative with the increase of time. If long periods are considered, the last two terms will for this reason be insignificant in relation to the others and become negligible. The equation will then assume the form:

$$4. I = E - S.$$

It will be remembered that  $I$  is the volume of the net incomes from money loans,  $E$  is the volume of funds transferred as "Expenditures" from the passive state into the field of activity by being laid out in living expenses or being put out into business ventures, while  $S$  is the volume of funds taken out of the field of activity and

put as "Savings" into condition to be loaned. The current  $S$  being a current of processes which are the reverse of those making up the current  $E$ , the quantity  $E-S$  may properly be termed "Lenders' Net Expenditures." With this in view, formula 4 conveys the information that the aggregate of the lenders' net incomes depends upon and is equal to their "Net Expenditures" when long periods of time are considered. The aggregate incomes from loans, then, are increased by more liberal "Expenditures" of those incomes and are diminished by the "Savings" of industrial earnings and their investment in loans.

This may appear to be a startling proposition. But its truth is unassailable and may be better understood when it is considered that the concept "Lender" is here used not so much in a personal as in an economic or functional sense. The function of lending is that of facilitating the distribution of the available funds into those commercial or industrial channels in which they can perform the most efficient service. It were therefore an error to apply the above conclusion to the individual instead of to the function. To the "Lender," in this exclusive sense, all investments in industrial enterprises are as much "Expenditures" as are outlays for personal necessities or luxuries. The proposition simply indicates that the field of lending is strictly limited and that accordingly the volume of loans cannot be indefinitely expanded. This is indeed confirmed by the fact that numerous representative financiers have of late gone beyond their normal province of "Lending" and have acquired large industrial interests. Their field in the financial world being limited, they find room for expanding their influence in the acquisition and in the creation of giant enterprises, especially those to which of late the term "Trusts" has been applied.

That same conclusion, namely, that the aggregate net incomes from loans are increased by the "Expenditures" of those incomes and are diminished by the factor denominated "Savings," applies of course to the community as a whole. To the individual lender it is inapplicable, inasmuch as an individual lender cannot increase his personal income by spending his resources more freely while other lenders are restricting their outlays and reinvesting the major portion of their incomes in loans.

So far we have dealt only with long periods of time, on basis of which alone our formula 4 is wholly valid. Within shorter periods

the quantities  $dD$  and  $dV$  of formula 3 cannot be neglected and can be shown to have a definite significance in the cycle of industrial conditions.

In this respect four periods can be distinguished, according as the predominating features are, in rotation, at first a positive  $dD$ , followed by a negative  $dV$ , then by a negative  $dD$  and finally by a positive  $dV$ , which means, respectively, an increasing volume of indebtedness, a decreasing volume of active funds, a decreasing volume of indebtedness and an increasing volume of active funds. Of course, these periods are by no means sharply defined. They gradually pass one into the other, not without considerable overlapping. Only when specific causes intervene, such, for instance, as wars or other far-reaching influences, may a comparatively rapid passage from one to the other be observed.

It is perhaps worth noting that in the first two periods the quantity  $I$  exceeds the quantity  $E-S$ , while in the last two this relation is reversed. This agrees with the law expressed by formula 4, according to which any excess of  $I$  over  $E-S$  during one period must be balanced by an equal deficiency during another period.

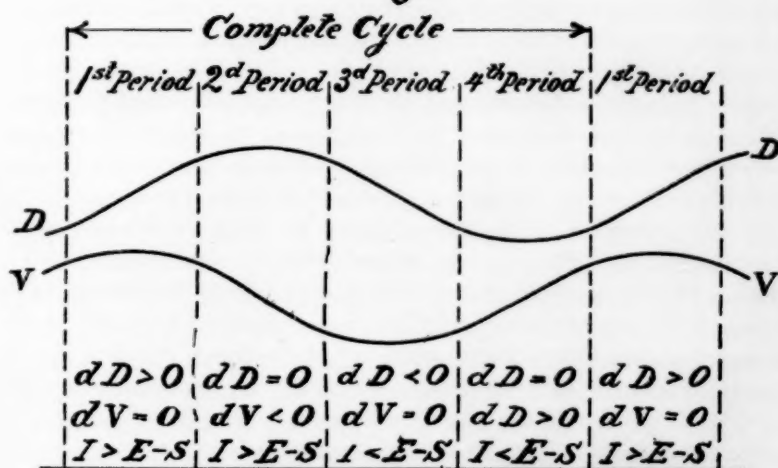
The diagram Fig. 2 graphically represents the fluctuations, in the course of the cycle, of the two factors,  $D$ , the volume of indebtedness and  $V$ , the funds in active circulation. This diagram will be found to fully illustrate the following analysis of the progress of the cycle.

The first period is that in which  $dD$  is positive, *i. e.*, in which the volume of indebtedness is increasing, while  $dV$  is practically nil, *i. e.*, the circulating volume is practically stationary. This is the prosperous period in which commerce flourishes, business increases and new enterprises are established. Expanding business absorbs all available passive financial resources. Those who have funds for lending have no difficulty in making loans on satisfactory terms. Interest rises to the highest rate. Because of the ease with which acceptable borrowers can be found, the bulk of funds is kept in active circulation, for every accretion to the passive volume is promptly returned to circulation. There are comparatively few business failures, hence only a small fraction of the gross interest need be devoted to cover losses from bad debts, the greater portion of interest being net profit.

Trust companies and other financial institutions must reinvest

the incomes from loans in their care, they having practically no choice in the matter. Individual lenders also, spending only a part of their incomes, naturally desire to invest the remainder. It is thus apparent that the "Net Expenditures" of lenders are less than their net incomes, in other words, the quantity  $E-S$  is less than the quantity  $I$ , hence the flow of funds from the active to the passive division preponderates, at least as regards the channels  $E$ ,  $S$  and  $I$ . The primary effect is an accumulation of funds in the passive state, but they are readily restored to circulation by an excess of the current  $L$  over  $P$ . This, however, is attended by a constant increase of

*Fig. 2.*



the volume of indebtedness and with it by an increasing obligation to pay interest, which still further hastens the flow of funds from the active to the passive division through the channel  $I$ . So long as these funds are again released by borrowing, the total indebtedness increases with accelerating rapidity and, in the nature of things, must ultimately exceed the ability of borrowers to furnish adequate security. The borrowing which has heretofore restored to circulation the funds accruing to lenders is then reduced and we enter upon the second stage of the cycle in which  $dV$  appears as a negative quantity, in other words, in which the active volume  $V$  is decreasing, because of the accumulations in the passive state. "Cash" in

business becomes scarce, the payment of accounts becomes tardy, long credits are asked in business transactions. The steady diminution of the quantity of money in active circulation invites hoarding, which makes matters worse. But the flow of funds due to the excess of  $I$  over  $E-S$  continues to reduce the volume of active funds. Finally the increasing scarcity of money in circulation renders it impossible for many of the debtors to meet their obligations and the number of business failures increases, often amounting to a crisis. Business, that is to say, the exchange of products and services, becomes stagnant for the same reason. This marks the advent of the third period in which the term  $dD$  of formula 3 becomes negative, indicating a diminution of the volume of indebtedness. Those business men who can do so pay off at least part of their debts, since a smaller working capital suffices for the reduced volume of business, but the sum total of debts is also reduced by reason of the numerous business failures, and since a greater portion of the gross interest must now be devoted to cover losses, the remainder, constituting interest proper, is materially reduced, even though the rate of gross interest is not changed at once. This is the typical period of business depression. The law according to which the net income of lenders cannot, in the long run, exceed their net expenditures asserts itself. By the force of circumstances over which the lenders have no control, their net incomes fall below their net expenditures in the measure in which they formerly exceeded the latter. Money is now freely offered for loans at a low rate of interest, provided complete security is given, but the scarcity of funds in circulation, combined with the inability of business men already indebted to the limit of their borrowing power to furnish the security demanded for further loans, causes such a stagnation in business that even those not already overburdened with debts cannot afford to borrow.

Finally the third period is succeeded by the fourth in which  $dV$  is positive and which ends in gradual recovery. The net income of lenders is still low, principally for two reasons. In the first place, most of the remaining debts have been renewed at a lower rate of interest and, in the second place, the volume of indebtedness is at an ebb, while the chances for investing the money held by lenders are comparatively few. The low volume of indebtedness during this period is clearly shown in diagram Fig. 2. By an excess of the "Lenders' Expenditures" (as previously defined) over their incomes,



the passive funds are finally restored to circulation. Thus the fourth period merges into the first of the next cycle and the play is repeated.

In reviewing the cycle as here outlined, it will be noted that each period presents conditions which inevitably bring about the results that characterize the succeeding period. The power of money to command interest exceeding "Cost" plus insurance against "Risk," or  $C+R$ , creates a tendency of funds to concentrate in the hands of the lenders. In prosperous times these funds are readily restored to circulation by lending, which, however, correspondingly increases the volume of "Debts." When the increasing indebtedness begins to exhaust the ability of borrowers to furnish security, the accretions to the volume of passive funds are no longer released and the consequent reduction of circulating funds deprives borrowers of the means of meeting their financial obligations. This leads, largely through business failures, to a reduction of collectable debts and incidentally to a reduction of the rate of actual or net interest. The lenders' income is reduced and eventually the accumulated passive funds find their way into circulation through their owners preferring to expend them in industrial or commercial ventures rather than hold them idle indefinitely. In the resulting fluctuation of the volume of active funds the periodicity of business depressions finds a logical explanation. Cause and effect follow each other in their natural sequence, completing a continuous, ever recurrent cycle of the four periods described. It is hardly possible to present a better proof for the correctness of this explanation than the complete agreement of the hypothesis with the facts.

In practice the play of economic forces, as above traced out, is perhaps slightly modified by the constant fluctuation of the total volume of currency and bank deposits, by changes and improvements of industrial and commercial methods, by the practice of hoarding and by other factors, but these influences are sporadic and do not affect the ultimate conclusion, namely, that the capacity of our present system of currency and banking is inadequate to mediate the enormous volume of exchanges required and entailed by the modern system of production.

A remedy can be looked for only in improved methods of mediating exchanges. As one of the possible remedies the writer would suggest that business men establish a commercial clearing house through which their mutual accounts can be cleared practically with-

out the use of current funds. Such a system, if surrounded by proper safeguards, would virtually permit the payment of accounts payable with accounts receivable. In the measure in which business men would thus make themselves independent of the money market, exchanges would be facilitated and stagnation prevented. Indeed, a universal application of such a system may be the means of ultimately eliminating business depressions and of establishing perpetual prosperity.

## SECURITIES OF PUBLIC SERVICE CORPORATIONS AS INVESTMENTS

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BY ALBERT LUDLOW KRAMER, ESQ.,  
Philadelphia, Pa.

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Next to railroads and manufacturing corporations, the class of companies commonly known as public service corporations represent a larger amount of invested capital than any other class of private corporations. The Public Service Corporation is so called because it operates under a charter or franchise usually granted by the municipality, which authorizes the corporation to use the public streets for the purposes of its business, and which subjects the company in various ways in the conduct of its affairs to the control and authority of the public power. These companies are electric railways, gas, electric lighting and water companies. Since the business of supplying water has been mainly taken over by the municipal governments, we shall limit our discussion of public service corporations to the three classes first mentioned, and shall pay especial attention to the securities of street railway companies.

The most important difference between public service corporations and other industrial companies consists in the franchise. This may be either exclusive or non-exclusive. If exclusive it is more valuable, although, practically speaking, even if its franchise is not exclusive, a company may be secure in the control of its territory because of physical conditions which may render its position impregnable. The exclusive franchise is more important in the case of an electric lighting property than in the case of gas or electric railway companies, for the reason that there is more opportunity for competition in that business than in the others. A street railway may have a non-exclusive franchise that is practically exclusive because of its occupancy of all the streets on which a railway could be built, but an electric lighting plant is always open to an invasion of its territory. It is also generally true that the required investment in an

electric road is larger than in the case of an electric lighting plant, and where an operating lighting company is doing a good business every inducement is offered for the formation of a rival concern, which can install a new plant for a few thousand dollars and invade the territory of the older company with lower operating expenses. Gas companies, on the other hand, are more frequently operating under exclusive franchises than are the electric lighting companies. They are generally older and began operations at a time when exclusive franchises were frequently granted, while the electric lighting companies, having been for the most part chartered within the last twenty years, show the modern tendency to limit the scope and duration of corporate grants.

The consequences of competition in the lighting field are frequently disastrous. About five years ago there was a consolidation, as the result of competition, of three electric lighting plants and one gas plant in a Pennsylvania town of about 20,000 inhabitants. The securities of these four companies were all somewhat watered, and more water was put in to the capital of the company formed to control and operate them. The fixed charges were, however, regularly paid, as well as a dividend of 5 per cent. per annum on the stock. The total capital and bonded debt of the parent and underlying companies amounted to about \$500,000, far in excess of cost. Two years later a company was organized, to operate in the same field with a capital of \$100,000 with which they were able to install a modern plant. They were able to operate more cheaply and reduced their rates, the reductions being met by the older concern. Within six months the lower rates forced the older company to suspend dividends and to meet its interest charges out of its surplus. The new company, however, was able to do business at a profit and soon began the payment of 5 per cent. dividends. In larger cities the chance of such competition as the foregoing is, of course, less. In Philadelphia, for example, the Philadelphia Electric Company has a practical monopoly of the electric lighting business, although there is another company (The Keystone Telephone Company) which has a franchise to light any part of the city. Another important consideration regarding franchises is their period. If they are perpetual the bondholder need not concern himself with the duration. If for a limited term, their term should be compared with the life of the bond. It may be stated generally that no bond can be con-

sidered safe unless it matures before the expiration of the franchises of the issuing company. As above remarked, perpetual franchises are now seldom granted. In Pennsylvania no company can be organized under a perpetual charter. In Ohio and Indiana there are laws limiting the time for which the franchises can be granted, and in one state in the Union it is certain that a considerable number of railways are operating under franchises which were not granted in accordance with the laws of that state. The present tendency is to grant franchises to electric railways, gas and electric lighting properties for a period of from twenty to forty years. In Massachusetts a commission is empowered to fix the amount of stock and bonds of every such corporation in the state, as well as to fix prices of fares to be charged. This power of the commissioners was upheld in the recent decision in the Massachusetts Supreme Court in the case of *Keefe vs. The Lexington and Boston Street Railway Company*, in which the Court decided that the right to regulate street railway fares rests solely with the Legislature, acting through the commissioners. In Ohio a bill to create a state Public Service Board has been introduced in the State Legislature which provides that the board shall have power to grant franchises, regulate fares and other charges, and authorize the construction, maintenance and operation of public service plants. The effect of the Massachusetts law has resulted in many cases in the public service corporations having a large floating indebtedness, because, as stated before, the issuing of bonds must be passed upon by the commissioners.

The most prominent case in the country at the present time involving the duration of franchises is the Chicago case. The issue there hinges on an interpretation of an act of the Illinois Legislature, passed in 1865, by which, as the companies claim, the franchises as well as the charters of the existing street railways in Chicago were extended ninety-nine years. The contention of the city is that the act was not so intended, and if it was so intended, that the portion of it extending the franchises would be unconstitutional, as—although the act extended the corporate life of the company, and therefore authorized the city to grant it franchises during its corporate life—the power of granting specific franchises was still left with the city. The city has offered to grant an extension of franchises for a period of years if the company will waive any rights which it has under the act of Legislature, and will pay a certain per-



centage of its gross receipts to the city. The matter has not yet been settled as the company is reluctant to waive such rights, and on March 14th of this year the City Council again postponed final decision by granting an extension until January, 1905.

The bondholder, having his legal rights under a mortgage, should satisfy himself that the property is worth the amount of the mortgage, so that in the event of a foreclosure his interest will be protected and the principal of his bonds paid. In Massachusetts a public service corporation can only be bonded for 50 per cent. of its capital; that is, if the bonded debt amounts to \$1,000,000 there must be at least \$1,000,000 in cash actually paid on the stock. In most of the states there are no such provisions, and the investor must consider each proposition by itself to determine the security of his bonds. In many instances street railways are bonded for the cost of the property, and the stock is issued with reference to anticipated profits. The bonds of a company so mortgaged may be a fairly safe investment where the earnings and the prospects of the company are favorable. In numerous instances 10 per cent. in cash is paid on the stock, and where this is done there is an equity for the bondholders in the case of a default being made on interest and a consequent foreclosure.

The next consideration in determining the security of a bond is the question of earnings. Where a company is earning no more than its fixed charges, including interest, taxes and guaranteed rentals, its bonds would not be considered investment securities. Where the net earnings exceed the fixed charges by 50 per cent., and the prospects of the company are good, the bond may be considered reasonably safe. Where net earnings exceed fixed charges by 100 per cent. the bond may be, generally speaking, considered entirely secure. These general rules are, however, subject to exceptions. Although there may be a large surplus over fixed charges, if the proper amount has not been spent for maintenance of the property, the "net earnings" are fictitious, and the bondholder is in no better position than although the company had laid aside a proper amount for depreciation and had no excess of earnings. On the other hand, where there is but a small excess of earnings, the securities of the company may be very attractive, as where a recently organized concern is under able management, with good prospects for increasing business.

The income of street and electric railways in the United States

in 1902 amounted to \$247,553,999. Of this income, the receipts from passengers amounted to 94.5 per cent.; from chartered cars,  $\frac{1}{10}$  of 1 per cent.; from freight,  $\frac{4}{10}$  of 1 per cent.; from mail,  $\frac{2}{10}$  of 1 per cent.; from express,  $\frac{2}{10}$  of 1 per cent.; from sale of electric current, 3.1 per cent., and from miscellaneous sources, 1.5 per cent. The percentage of operating expenses to gross earnings was 64.4 per cent. in 1890 and 57.7 per cent. in 1902. Of these operating expenses, maintenance of ways and structures cost 8.5 per cent. of the total, maintenance of equipment 11.7 per cent., operation of power plant 16.2 per cent., operation of cars 43.9 per cent., general expenses (including salaries, etc.) 19.7 per cent. These figures are of interest in their application to any special property as showing whether or not its operation is above or below such average. During 1902 there was an average rate of 5.1 per cent. paid on the stock of all companies which paid dividends, but on about one-half of the stock issued there were no dividends paid. Of taxes and fixed charges the interest on funded debt amounted to 45.4 per cent. and the rental of leased lines 32.9 per cent. The figures which are here given regarding electric railways have been compiled from the census reports, and the different items constituting operating expenses have been given in the percentage which they bear to the total expenses. As a matter of practice, the reports of the street railway companies are made up showing the percentages which each item of operating expenses bears to the gross earnings. The report of the New York State Board of Railroad Commissioners for the year ending June 30, 1903, shows the percentages of subdivision of operating expenses in New York both in their relation to total operating expenses and to gross earnings. They are as follows: To total operating expenses, maintenance of way and structure, 6.92 per cent.; maintenance of equipment, 10.29 per cent.; operation of power plant, 16.33 per cent.; operation of cars, 48.74 per cent.; general expenses, 17.72 per cent. In their relation to gross earnings they are as follows: Maintenance of way and structures, 3.99 per cent.; maintenance of equipment, 5.94 per cent.; operation of power plant, 9.42 per cent.; operation of cars, 28.13 per cent.; general expenses, 10.22 per cent.; making the total operating expenses 57.7 per cent. of the gross earnings.

In comparing the operation of city lines with interurban lines, it will be found that the principal differences in cost occur in operation of power and operation of cars. Cost of power is proportionately

less in city systems, owing to the greater economy in furnishing it from one central plant. On the other hand, cost of operating cars will be found less on the interurban line in proportion to gross receipts, owing to the fact that cars are generally larger, carry more passengers and operate at higher speed, with consequent larger receipts earned in any given time since the platform expenses—motormen's and conductors' wages—being practically the same per hour as on the city system. The total operating expenses of interurban lines in proportion to gross receipts average somewhat less than the operating expenses of city systems, showing the smaller operation of car cost to be a greater factor than the savings of the city lines from economical operation of power.

The value of gas products in 1902 was \$75,716,693, to produce which involved an outlay of \$5,273,900 for salaries of officials, clerks, etc.; \$12,436,296 for wages; \$14,769,022 for miscellaneous expenses, including rent, taxes, etc., and \$20,605,356 for materials used; namely, supplies, freight and fuel. Of the cost of materials coal cost 34.8 per cent. of the total, coke 3.5 per cent., oil 39.6 per cent., water 1 per cent., fuel 5.3 per cent., mill supplies  $\frac{7}{10}$  of 1 per cent., all other materials 11.6 per cent. and freight 3.5 per cent.

The total capital stock of the electric lighting companies in 1902 amounted to \$372,951,952. Of this amount 6.4 per cent. was preferred stock and 93.6 per cent. common stock. Dividends at an average rate of 4.4 per cent. were paid on 36.2 per cent. of the common stock and at an average rate of 5.2 per cent. on 51.1 per cent. of the preferred stock. The total income of the electric lighting properties was \$85,700,605, of which 91.9 per cent. was from private stations and 8.1 per cent. from municipal stations. In the private stations arc lighting contributed 28.1 per cent. of the total, incandescent lighting 52.4 per cent., other electric services 17.7 per cent. and all other sources 1.8 per cent. The municipal stations received 48.7 per cent. from arc lighting, 48.2 per cent. from incandescent lighting, 1.3 per cent. from electric services and 1.8 from all other sources. The total expenses of electric lighting stations were \$68,081,373, or 79 per cent. of the gross income. Of this amount the private stations paid as salaries and wages 29.9 per cent.; for supplies, materials and fuel 32.6 per cent.; for rent, taxes, insurance and miscellaneous 18.2 per cent., and for interest on bonds 19.3 per cent. The municipal stations paid for salaries and wages 35.8 per

cent. ; for supplies, materials and fuel 46.2 per cent. ; for rents, taxes, insurance and miscellaneous 8.4 per cent., and for interest on bonds 9.6 per cent. It will be seen that there is a considerable difference between private and municipal stations in the expense account, as in many cases the municipal stations failed to report rents, etc., because they were included in general accounts for public work, while the proportion expended for salaries, wages, supplies, etc., is greater. The statistics as to line construction are interesting, showing the overhead construction to amount to 101,383 miles and the underground construction 5,847 miles.

In a country with a growing population there is reason to believe that the earnings of street railway, gas and electric lighting properties will increase from year to year. The population of the United States, if the ratio of increase is maintained, will double within the next fifty years, and will even then show a density of from but one-fifth to one-seventh of that of European countries. The gross earnings of 445 electric railways for periods ending different months in the year 1903, show an increase of 10.45 per cent. over corresponding periods of the previous year, and the net earnings show an increase of 7.77 per cent. These average figures have, of course, been exceeded in various parts of the country where the introduction of the trolley has been comparatively recent, and where the population has been increasing at a ratio above the average. For instance, the Indianapolis Traction and Terminal Company, which controls the street railway lines in Indianapolis, reports that the gross earnings in 1902 increased about 15 per cent. over those of 1901, and for 1903 about 15 per cent. over those of 1902. Where a bond has been purchased in a company with earnings of 50 per cent. in excess of fixed charges, the security may be regarded as fairly satisfactory, even although there be no prospect of this surplus being increased, but in many instances companies have been financed with requirements which increase each year. The Public Service Corporation of New Jersey—a company organized for the purpose of operating and controlling street railway, gas and electric lighting properties in that state—has leased a considerable number of properties, the rental for which is to increase annually. Leases on these properties have been obtained, in exchange for which the Public Service Corporation has given guarantees on their stock of from 1 per cent. to  $3\frac{1}{2}$  per cent. the first year, up to 5 per cent. and 8 per cent. the ninth year and thereafter.



It is possible to estimate with accuracy, from population and general conditions, what the earnings of a prospective railway, gas or electric plant will be during the first year of operation, and how those earnings will increase from year to year. The United Gas Improvement Company of Philadelphia, for example, upon obtaining control of a property, generally reduces the price of gas, and from its long and thorough experience in the management of gas properties can estimate the extent to which this reduction will increase the output, taking into consideration the population of the territory and its ratio of increase. Good management can always swell the earnings of a property which has been before improperly managed, and many economies can be effected and policies adopted which will increase the earnings of the concern even though prices be reduced. The same considerations are applicable to street railway properties. The running of interurban cars on a half-hour schedule may or may not be a proper method of operation in a certain locality. It is frequently found that where cars have been so operated the changing of a schedule to a fifteen-minute one has resulted in considerable increase of earnings, since it is a fundamental principle of transportation that facility will create travel, and while the operating expenses are only slightly increased by the addition of a few cars, the added revenue from those cars may be almost entirely net profit. Furthermore, under a consolidation of properties such as has taken place in New Jersey under the management of the Public Service Corporation, a reduction in general expenses and in cost of operation, results in an increase of earnings which enables dividends to be paid on stocks on which there would otherwise be no return for years.

One of the most noteworthy examples of what good management will do for the earnings of a company has been shown by the United Gas Improvement Company of Philadelphia. Since that company leased the gas works from the city of Philadelphia it has paid 8 per cent. dividends on its shares of stock and has saved that city \$765,000 per annum. For the four years before the United Gas Improvement Company obtained control of the city property, and while the plant was under city management, the net annual surplus amounted to only \$136,000. The rental of offices was not included in these figures, and it is found that when such rental, as carefully compiled from official documents, is deducted, this net sur-



plus is changed into an annual deficit of about \$240,000. Under the management of the United Gas Improvement Company, the city has received an average yearly net revenue from the company of about \$390,000, as it is given 10 per cent. of the gross revenue from the sale of gas in Philadelphia. The United Gas Improvement Company has besides spent for betterments about \$134,000 per annum more than the city. These items of an increase in the amount expended for betterment, percentage of gross revenue paid to the city and deficit under the city control show a gain of \$765,000 per annum to the city by United Gas Improvement Company management.

Another important consideration which the prospective bond purchaser in a street railway, gas or electric lighting company must have in mind is the possibility of maintaining fares and rates. It is desirable that the company operating under a franchise from a city have a contract with that city fixing rates so that the earnings of the company can be more certainly estimated. In the absence of such a contract there is a possibility of forced reductions. When the United Gas Improvement Company leased the gas works of Philadelphia the price of gas was fixed at a net rate of 90 cents per thousand cubic feet for ten years, to be reduced in 1908 to 85 cents for five years, in 1913 to 80 cents for five years and in 1918 to 75 cents. When eastern capital was first invested in the trolley lines of western states, there was considerable difficulty between operating companies and the cities in which they operated, as in some instances the latter attempted to force a reduction in fares to be charged. In consequence of such a dispute, the Indianapolis Street Railway Company, when it acquired its franchise from the city of Indianapolis for thirty-four years in 1899, obtained a contract by which the regular fare was to be 5 cents with free transfers, and tickets were to be sold six for 25 cents or twenty-five for \$1, and in consideration of this agreement the company bound itself to pay a certain sum yearly to the city.

The most prominent case at the present time involving a forcible reduction of fares is that of the one in Cleveland, Ohio. An ordinance has been passed in the City Councils fixing the rate of fare on street railways operating within the central portion of the city at 3 cents with free transfers, and providing that the city may purchase the property at any time, the price to be fixed by a Board of Arbitration. A long controversy between the city and the com-

pany over the expiration of the company's franchises has resulted and the difficulties there have not yet been concluded. If the ordinance stands the result will be that about 85 per cent. of the residents of Cleveland will only have to pay a fare of 3 cents. Prominent street railway men believe that this reduction will result in such a loss in gross earnings as to destroy the profits of the company. Unless the company will accept the plan it will not be given the desired twenty-year franchise by the present Councils, and although it has provisionally adopted it, it has not yet definitely and legally done so, and if it is found to be unsatisfactory to the company, more litigation is probable.

In the operation of interurban lines, the average fare throughout the United States is 1.3 cents per mile, although many lines operate profitably at 1 cent per mile. Below this rate, the operating expenses are apt to be too large in proportion to gross receipts to make profitable returns, while above 1.5 cents per mile the rate approximates steam railroad conditions too closely to develop the heavy travel which justifies frequent electric railway service. The concentration of generating power at some one point operating a number of motor units over an extended system is the attractive feature of an electric railway as compared with the steam railroad, but unless there is sufficient population to justify frequent service a given territory can scarcely be said to afford an electric railway enterprise.

The tendency of interurban lines recently constructed has been to build them on private right of way when possible. Although the original cost is greater, there are a considerable number of reasons for so building them. The greater speed saves the passengers time and is an inducement to travel which is specially noteworthy where the private right of way runs through city limits. The slow trailing behind the city trolley cars and wagons is avoided, and the company is not subject to municipal speed restrictions. The private right of way is also important from the operating standpoint. The expenses of handling given traffic will be less, since there is no paving to maintain and the expenditure on maintenance of track, bridges and tie renewal is less because of the lack of wear and tear of extraneous traffic. The greater speed on a private right of way will not only make the service more reliable, but also decreases the accident and legal expenses, and has many other advantages. It will be

thus seen that a road operating over its own right of way will have a lower operating ratio, and will in consequence have a larger surplus over fixed charges, provided that the securing of the right of way has not been so expensive as to make the amount of the bonded indebtedness too large. It is a problem with every prospective street railway, gas and electric lighting company as to how much can be safely spent for buildings, plant, trackage, wiring, etc., as it is, of course, possible to make these so expensive that the company will be unable to earn anything in excess of the interest on the money so spent. On the other hand, there are many improvements every year which are not only desirable from the standpoint of creating traffic, but also in order to enable the company to operate at a lower ratio. This is forcibly shown in the decrease of the operating expenses in street railway properties from 64.4 per cent. in 1890 to 57.5 per cent. in 1902.

We have so far dealt mainly with those companies which are in operation. In many instances investors are asked to purchase bonds in companies not in operation, where earnings are apparently problematical. The science of street railway, gas and electric lighting properties is, however, so complete and exact that it is usually possible to estimate what the earnings of such companies will be. There are very few cases where lines intelligently established have been unsuccessful. Many considerations must be taken into account, but where the knowledge of the business is supplemented by common sense, such investments are usually secure. Just as the life insurance company calculates its financial returns with the utmost confidence from the average life of humanity, so each inhabitant of any given community has been found to reward with a certain number of dollars per annum the electric company serving him. Electric railway territory must be divided into the local system in the town of 10,000 population and the city of 100,000 to 1,000,000 population, and the average earnings per capita determined in each. Factors of calculation must be used intelligently in each case. The shape of the city, whether elongated, circular or compact, must be considered. as must also the character of its population, their residence location with reference to places of employment, and the relative prosperity. Calculations of suburban and interurban earnings are more complex, being dependent in addition to the above conditions on the number of the local populations along the line and the distance from the terminal

cities to where they are tributary, rather than upon the exact size of the terminal cities. To develop a maximum of earnings per capita from the local population along the line, the terminal city should be several times larger than the local towns and villages, so that the latter are in the fullest sense commercially tributary. The question of franchises, equity in the property and rights of way must also be considered by the prospective buyer of a bond of a company not in operation.

The problem of the organizers of such a company is the same as that of the investors if they are going to stand by the property, but sometimes concerns are organized during speculative booms merely for stock jobbing purposes, and where suspicion of good faith exists the closest scrutiny is necessary. A road may be so cheaply built that in the course of a few years the power plant and equipment will be worn out, and the bondholders will find their property in the hands of a receiver. If proper attention has been given to these matters, the main things to be considered are the population of the territory and the activity of that population. If the line is to be built through a country where there is but little industrial or farming population which travels, the earnings, of course, will not be so great as in the case where the line is to be constructed through a territory having a similar population which is continually traveling between the different points. Investors are frequently found who will not put their money in the bonds of a company which operates in a community depending upon any one industry, as in the coal regions in Pennsylvania, where in the event of a strike the earnings must necessarily fall off considerably. Where the road is built along the bank of a river it can in some instances only draw from the population on that side, and unless that population is double per mile of road than ordinarily required the line can hardly be a success.

Another class of electric railway companies which have frequently been found unprofitable are those operating during a portion of the year only, although there are, of course, a large number of lines which are paying satisfactory returns to the stockholders which are dependent for their earnings entirely upon the summer season, such as those running to parks and summer resorts having a large patronage. Unless the traffic is unusually heavy during the summer these roads will naturally not pay, as if they operate for only six months in the year, they must do twice the business which would



ordinarily have to be done in a year in order to meet the charges on the capital invested. A number of such companies operating their cars during the entire year, operate at a loss during the winter months, so that during the summer season not only do they have to do a double business, but have also to make up a deficit.

In some localities it has been found possible to use nearby water power. This generally results in reducing operating cost where the water power can be depended on for the entire year. Where it must be supplemented by a steam power plant to be used during the dry season, there is a double investment on which interest charges must be earned, and which cannot generally pay, even although the operating expenses are reduced for a considerable period of the year. When there is a continuous flow of water, however, water power is very desirable. Not only is the normal cost of fuel avoided, but the operating company is not subject to any sudden advance in prices as the result of a fuel famine. It is difficult to compare the costs of producing electricity by means of coal and water power. The price of coal is a variable quantity, and the result of the comparison depends also upon the amount of the investment in the power plant, which must necessarily vary according to the amount of dam and canal building required. In many instances, however, manufacturers and electric railway and lighting companies have been supplied with power costing them but from 50 per cent. to 75 per cent. of the cost of producing it themselves by coal engines.

In this country, with its steady growth in population, all kinds of quasi-public corporations have, generally speaking, reason to believe that their business will increase from year to year. There are some advantages which street railway properties have over the steam railroads, however. In many instances the latter are dependent largely upon the prosperity of a particular industry, as in the case of the coal and grain roads. It has been found that when there is a general industrial depression throughout the country the business of the railroads always falls off, whereas the electric railway, gas and electric lighting companies are but slightly affected. This is particularly true of the street railways, as in their case the income is absolutely direct, and it has been found that the earnings of these properties have increased from year to year at a ratio independent of general industrial inactivity. For these reasons electric railway,



gas and electric lighting companies have not had to go through the same stages of reorganization which took place in the case of the steam railroad companies. In many instances railroads were built for the purpose of developing the country, whereas the other class of quasi-public corporations have in the main only been built after such development, and when the earnings could be very accurately calculated. During the last two years the securities of railroad companies have suffered a severe depreciation, whereas the depreciation in the securities of electric railway, gas and electric lighting companies has been comparatively slight.

Statistics show that the average earnings per annum of electric railways are about \$3,800 per mile, while the average earnings of the steam railroads from passenger traffic are only \$1,700 per mile; that the average operating expenses of the electric railways are about 57 per cent. of their gross earnings, while the average operating expenses of the steam railroads are over 65 per cent. This is even true in instances where the electric and steam railways are parallel, so that they are operating under the same advantages and disadvantages. Electric railways also handle express, freight, etc., at a less rate than steam railways, the cost to the former being 21 per cent. and that to the steam roads over 48 per cent. In some instances the latter have been glad to have the electric railways take part of their local business, but in many cases the trolley lines have taken a large part of such traffic, even although the railroad has cut rates in order to meet fares charged by the trolley company. At the present time the electric railways with their long distance lines, and buffet and sleeper cars are entering into the field of long distance travel, and it will be interesting to see how far this competition will affect the steam roads.

While it is thus seen that the electric railway, gas and electric lighting companies have certain advantages over the steam railways, they also have certain advantages over each other. They are, of course, alike in that they have the same requirements as to franchises, etc., but are essentially different in certain particulars. The returns from electric railway and lighting properties are generally more quickly obtained than from gas properties. This is in one sense an advantage, but it is a disadvantage when the prospect of competition is considered. When the field of lighting was invaded by electricity, considerable apprehension was felt that the earnings of the gas com-

panies would be decreased and in some instances this was the case. At the present time, however, by the use of gas for heating and the introduction of cooking stoves, the gas companies have been able to show an increase instead of a decrease from their operations. An officer of a prominent gas company recently stated that the existence of an electric lighting plant in the same town with a gas property was no objection to the purchase of securities in the latter, and this statement has been entirely verified. Each company has its own field for operation, and from the business standpoint there is no reason why both cannot be successfully operated and pay returns upon the investment made. The ideal condition is, of course, to have the electric lighting and gas plants owned and operated by the same company. Under these conditions there is no danger of either company cutting rates and entering the field of the other, and there can be greater economies effected in general expenses. There are at present numerous plants so operating, and it has been found that there is not only a saving in the matter of salaries and rents, but that the electric light can be produced more cheaply by the use of gas engines supplied from the gas plant.

When an investment is contemplated in the bonds of an electric lighting or gas property, the matter as to whether or not these properties are located in a natural gas region should be carefully looked into. Natural gas can, of course, be delivered to the consumer at a considerably lower rate than either the electric light or manufactured gas, and if there is any reason to believe that it exists in any locality having an electric lighting or manufactured gas plant, an investment in the securities of either of the latter would always be open to attack unless the natural gas field is controlled by them. In Pittsburg the Philadelphia Company controls the traction lines, the electric lighting and both manufactured and natural gas, so that it has a complete monopoly and is not open to competition. This company delivers natural gas at a lower rate than manufactured gas, but only for the purpose of fuel, whereas the manufactured gas is used solely for lighting purposes. While the returns from the electric railways and lighting properties are more quickly obtained in many instances than from gas properties, it must be remembered that the depreciation in the case of the latter is much less than in the case of either of the former. A prominent engineer recently stated that at the end of ten years the plant of an electric lighting property is

obsolete. This means that the depreciation in a property of this character is 10 per cent. per annum, whereas the depreciation in the case of a gas plant is probably only one-third as great. It is difficult to obtain any definite figures showing the depreciation allowed in the case of a gas or electric lighting company, or the percentage which operating expenses bear to the gross earnings, because companies are loath to make public any detailed reports, since they would thus supply their competitors with valuable information. Moreover, while the rate charged for fares throughout the country is practically uniform, the rates charged for gas and electric light vary greatly, and where a gas company receives \$1.40 per thousand cubic feet for gas the operating ratio is much less than where it is receiving 90 cents for the same amount.

The future of electric railway, gas and electric lighting companies is promising. These industries have not only tributary to their lines or plants an increasing population, but a population which makes increasing demands upon their facilities. With lower operating expenses resulting from improvements and inventions, there is yearly a larger surplus over gross earnings, which will not only enable these companies to pay reasonable fixed charges, but will also enable them to declare satisfactory dividends upon their shares of stock. During the last six months there has been a steady increase in the price of listed railroad bonds, which has carried them to quotations higher in some instances than those prevailing at the time of the last great speculative boom. The low rates for money, together with an exceptionally conservative spirit, have resulted in a steady absorption of this class of securities. The present ruling prices are such as to make them prohibitive to the average investor, and with returning confidence it is to be expected that there will be considerable selling of these bonds and reinvestment in securities of sound street railway and gas properties. The time is not far distant when the bonds of many public service corporations now selling on a 5 per cent. basis will be regarded as "gilt-edged," and it is doubtless true that some of the great fortunes of the future will be made by purchases of the stocks of interurban lines just as they were made by investment in railroad stocks years ago, and more recently in the stocks of city electric railway companies.

## COMMUNICATION

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### THE EDUCATION AND PROFESSIONAL ACTIVITIES OF WOMEN

BY SOPHIE YUDELSON.

The direct relation a given social system bears to the employment and consequently the education of women may be illustrated by comparing the educational status of southern women with that of the women in the western states.

The South, for years a slaveholding community, has in a remarkable way reproduced, in matters feminine, the old ideals of the Old World civilization; a general depreciation of woman's labor and a spirit of romantic chivalry, combined with a desire for a separate "sphere." "We find accordingly the sentimental sex attitude everywhere prevalent discouraging any progressive movement of woman, and forever advocating the domestic standard as an all-absorbing and sufficient profession."<sup>1</sup> Accordingly "they study at a high school or academy such things as befit their position as young ladies whose business is to be charming and whose destiny is marriage."<sup>2</sup> "It is recognized as a necessity that some women must support themselves, but at the same time it is considered a cause of regret. . . . There is a covert apology for the professional woman, a kindly-intentioned explaining away of her labor from the mouth of her friends. . . . A striking proof of this is the gratuitous remark often heard that the woman who works is deserving of just as much respect as the one who does not."<sup>3</sup> Furthermore, "the woman worker in the South is an object of sympathy if purely static; of aversion if dynamic and independent." Hence, "in the catalogue for 1889 in the Norfolk College for Young Ladies, the aims of the school are said to be molded in accordance with the principle that a woman's province in life is to throw herself heartily into the pursuits of others rather than to have pursuits of her own."<sup>4</sup> A little training in French and music, and some study of English literature, are generally supposed to be sufficient for that.

However, changes are being wrought even in the old South. The system of economic activity introduced after the abolition of slavery created a demand for women's work. This demand seems to have a wonderful effect on college curricula for girls. For instance, the Georgia Female College, established in 1839, prescribes "Harkness' First Year in Latin" as the only preparation in

<sup>1</sup> Arena, 1899, p. 755.

<sup>2</sup> P. 745.

<sup>3</sup> P. 748.

<sup>4</sup> Annie Nathan Meyer, "Woman's Work in America," p. 90.

languages for entering the freshman class and plane geometry is a sophomore study. The Industrial Institute and College at Columbus, Miss., established in 1885, gives in its collegiate course analytical geometry, Juvenal, metaphysics, political economy, etc.; calculus, descriptive geometry, quantitative analysis and the history of philosophy are among the subjects offered in post-graduate courses.\* The study of these and similar subjects may not be of special value to certain husbands, but practical employers, willing to pay respectable salaries, demand thorough training as a prerequisite; and conscientious husbands, who prefer bookmaking to slaveholding, seldom fail to note in their prefaces the obligations to their wives.

Turning now to the West, one does not find that a separate "sphere" for women was ever considered desirable. Instead of inquiring how much or how little education woman should receive, there was the extreme opposite discussion as to whether or not women should be educated together with men. This discussion has resulted in the fact that "at the present time in the western states and territories the higher education of women is generally identical with coeducation." Writing, in 1890, on the "Education of Woman in the Western States," Mary W. Sewal gives the following facts:

"1. Of 212 institutions, exclusive of colleges of agriculture and mechanic arts, which afford the higher culture to women, 165 are coeducational.

"2. Of the 5,563 women reported to the Bureau of Education in 1887-1888 as students in the collegiate courses of these institutions, 4,392 were in the coeducational colleges.

"3. In the twenty states and territories which boast 165 coeducational colleges and 47 colleges for the separate education of women . . . there are but 25 colleges devoted to the exclusive education of men.

"4. Of these 25 institutions not one is non-sectarian and they are all supported by the Roman Catholic, the Protestant Episcopalian, the Lutheran or the Presbyterian denominations. In several of the states most conspicuous for zeal in the cause of higher education as in Michigan, Iowa and Kansas, not one college for the exclusive education of men exists."\*

Has this state of affairs been brought about without a struggle? Surely not. The history of woman's education tells convincingly of the bitter opposition woman has met at every step in her fight for the right to instruction, everywhere, East and West, North and South of the United States.<sup>†</sup> As far as coeducation is concerned, even after it "has become a fact," says Mary W. Sewal, "the whole question was reopened in a new form by the attempt to exclude women from Adelbert College of the Western Reserve University, which had already been open to women for twelve years." "Every reason which had formerly been urged against the admission of women was now offered for their exclusion." Physical inability and mental inferiority, individual respectability and social conventionality, domestic calamity and moral impropriety, all these were earnestly and solemnly urged against coeducation. But in vain. The force of prevailing conditions was irresistible. The sparse-

\* Meyer, p. 105.

† Meyer, p. 65.

See interesting account in Meyer's "Woman's Work in America."



ness of population and the difficulty in getting "hired help" brought men and women to work together in field, office, shop and household, in church and school. "Thus without intention on the part of either men or women, they become used to working together in many unaccustomed ways; and the idea of going to college together does not seem so unnatural as in older communities, where traditions of old standing have separated men and women in their occupations."<sup>8</sup> Coeducation triumphed. By the nature of things it could not be different. "Among the Clatsops and the Chinooks who live upon fish and roots, which the women are equally expert with the men in procuring, the former have a rank and influence very rarely found among Indians. The women are permitted to speak freely before the men to whom, indeed, they sometimes address themselves in a tone of authority."<sup>9</sup>

The effect of coeducation, in its turn, on the whole woman question, both theoretical and practical, cannot be overestimated. First, although coeducation itself does not indicate that women are mentally equal to men in assimilating, reorganizing or reproducing acquired knowledge, it does prove that women can comprehend the same studies. This at least points out the necessity that the old theory of the feminine mind must be revised. Second, "men who have studied with women in college almost invariably favor their admission to county and state, medical, legal and editorial associations; and thus . . . coeducation prepares society to give women welcome and patronage in business and professional life."<sup>10</sup>

In general, the educational status of woman is very high. One rarely, if ever, hears that women must not be educated because they are women. The most one does hear is that their higher education, for one reason or another, is not profitable, not practical. Elementary education, as a rule, is compulsory for boys and girls alike. According to the last census, the aggregate number under school attendance is 6,668,823 for males between the ages under 5 to 21 years and over; the number for females of the same ages is 6,698,324, the girls leading in numbers between the ages under 5 to 17 years inclusive.

The advance that is being made by women in higher education, in spite of occasional remonstrances, may be seen in the accompanying table taken from the report of the Commissioner of Education for 1902.

This table shows an enormous increase in women students during a very short period. In 1889-90 there were 10,761 women against 44,926 men students, the latter 4.17 times as great as the former. In 1901-1902 the number for women was 29,258 against 78,133 for men, the latter only 2.67 times as great as the former.

<sup>8</sup> Meyer, p. 71.

<sup>9</sup> Spencer, "Principles of Sociology," p. 732.

<sup>10</sup> Meyer, p. 82.

NUMBER OF STUDENTS FOR EACH YEAR FROM 1889-1890 TO 1901-1902.<sup>11</sup>

YEAR.	Universities and Colleges for Men and for Women and for Both Sexes.		Colleges for Women.	Schools of Technology.		Total Number.	
	Men.	Women.		Men.	Women.	Men.	Women.
1889-90 .....	38,056	8,075	1,979	6,870	707	44,926	10,761
1890-91 .....	40,089	9,439	2,265	6,131	481	46,220	12,185
1891-92 .....	45,032	10,390	2,636	6,131	481	51,163	13,507
1892-93 .....	46,689	11,489	3,198	8,616	843	55,305	15,530
1893-94 .....	50,297	13,144	3,578	9,517	1,376	59,814	18,098
1894-95 .....	52,586	14,298	3,667	9,467	1,106	62,053	19,071
1895-96 .....	56,556	16,746	3,910	8,587	1,065	65,143	21,721
1896-97 .....	55,755	16,536	3,913	8,907	1,094	64,662	21,543
1897-98 .....	58,407	17,765	4,416	8,611	1,289	67,018	23,470
1898-99 .....	58,467	18,948	4,593	9,038	1,339	67,505	24,880
1899-1900 .....	61,812	20,452	4,872	10,347	1,449	72,159	26,764
1900-1901 .....	66,069	21,468	5,260	10,403	1,151	75,472	27,879
1901-1902 .....	66,325	22,507	5,549	11,808	1,202	78,133	29,258

Reports received at the Bureau for the scholastic year ending June, 1903, show that 4,917 educational institutions of various grades had 240,697 students pursuing commercial or business studies, 134,967 men, 105,730 women.

## THE PROFESSIONS.

## Teaching.

In his report for 1900 the Commissioner of Education states that in the past ten<sup>12</sup> years women students increased by 148.7 per cent., while men students increased by 60.6 per cent. This large increase would have remained an enigma if we could not explain it by the growing number of women engaged in professional work,<sup>13</sup> as shown in the following table:

STATE OR TERRITORY.	Whole Number of Different Teachers Employed.		Percentage of Male Teachers.				
	Male.	Female.	1870-1.	1879-80.	1889-90.	1899-1900.	1901-2.
United States .....	122,392	317,204	41.0	42.0	34.5	29.9	27.8
North Atlantic Division	18,069	90,003	26.2	28.8	20.0	18.4	16.7
South Atlantic Division	10,567	31,818	63.8	62.5	49.1	40.7	38.1
South Central Division.	30,652	34,848	67.5	67.2	57.5	47.4	46.8
North Central Division.	48,152	139,691	43.2	41.7	32.4	28.3	25.6
Western Division .....	5,952	20,844	45.0	40.3	31.1	24.7	22.2

<sup>11</sup> Report of the Commissioner of Education for 1902, Vol. II, p. 1349: *Ibid.*, p. 2003.

<sup>12</sup> 1889-90 to 1899-1900.

<sup>13</sup> Report of the Commissioner of Education for 1902, Vol. I, p. lxxx.

There are 194,812 women teachers more than men teachers in the public schools. And if salaries are a measure of efficiency, it seems that the women keep very near the masculine standard; the average monthly salaries being \$49.05 for men and \$39.77 for women. The 122,392 men teachers would surely object if we were to state that only the less efficient men are teaching. Besides, when we remember the fact that "in the law of 1789 the expression master and mistress makes recognition of women as teachers for the first time," we must admit that woman's progress in this profession was as rapid as it was great.

#### *Medicine.*

"The first empirical physicians," says Professor Mason, "were not the sorcerers, but the herb women. They gathered the first *materia medica*."<sup>14</sup> "Shiphra and Puah," of the Bible, had numerous followers too. But with the development of medicine as a learned profession and woman's exclusion from all learning, the profession was completely monopolized by men. The difficulties which women encountered in partly wresting it from the monopolists we cannot here recount.<sup>15</sup> Suffice it to note that "when, in 1872, the London University, after a two years' bitter controversy, declared women eligible to its degrees, the journals were flooded with letters from indignant physicians who declared that by this action their own diplomas previously obtained had been lowered in value, their contracts violated and their most sacred property rights invaded."<sup>16</sup> In the United States it took Elizabeth Blackwell to apply to twelve medical schools of which only one, in Geneva, N. Y., admitted her. This was in 1845. Five years later Harvard refused to admit a Harriet K. Hunt because of the students' protests on the ground "that whenever a woman should prove herself capable of an intellectual achievement, this latter would cease to constitute an honor for the men who had previously prized it."<sup>17</sup> But in 1892-93 there were 1,302 women enrolled in the medical schools of the United States. There were seven medical schools for women only; 3,000 women had been licensed and 4,555 women were physicians and surgeons at practice.<sup>18</sup>

The number of women students, however, has decreased rather than increased since 1892, and when the present number is compared with that of men students it is small. There are only 1,177 women studying medicine against 25,644 men, the actual decrease as compared with the number given for 1892 being 125.

Among the various conditions that suggest themselves as causes of the decrease, the most effective one is undoubtedly the ever-increasing expenses involved in the training for the medical profession. The methods of teaching medicine in the United States have been greatly improved within recent years, and with the improvement has been introduced a rise in the cost of

<sup>14</sup> Otis Mason, "Woman's Share in Primitive Culture," p. 278.

<sup>15</sup> See interesting chapter by Dr. M. P. Jacobi in Meyer's "Woman's Work in America."

<sup>16</sup> Meyer, pp. 148-149, note.

<sup>17</sup> Meyer, p. 148.

<sup>18</sup> Report of Commissioner of Education for 1894-5, pp. 949-950.

tuition, instruments, etc. In certain institutions the tuition fee alone amounts to \$200 or \$250 per year. This fact may, of course, not discourage a young man bent upon entering the profession. If parents are at all able to give their son a professional education, a few hundred dollars more or less spent during the college course is perhaps of little consequence. The case is quite different with regard to a daughter's professional equipment, probably because it may not exempt her father from giving her a "goodly" dowry, after all; while the son runs the chances of getting a "respectable" sum. If, on the other hand, a young man undertakes to study medicine with little or no assistance from his parents, he can get it in the form of scholarships, fellowships, etc. A young woman does not have the same or similar opportunities. Society has not yet made the same provisions for the medical education of women as for men. Another condition which affects directly and unfavorably woman as a practitioner is the development of the "dispensary," extending medical help gratis to those classes of the community which would most likely engage the services of a woman, if for no other reason, simply because she might not demand from them as high a price for her service as a man does.

The combined effect of comparatively small expenses during the years of training and the prospect of practicing later among the more wealthy classes or in institutions, has evidently led to woman's resorting to nursing as a profession. According to the last report of the Commissioner of Education there were, in 1902, 11,876 women nurse pupils and only 1,376 men pupils. Pharmacy and dentistry, too, have their female votaries in modest numbers, 162 for the latter and 218 for the former.

#### *Law.*

The legal profession seems to have special difficulties for women. The number of students does not increase rapidly.

There are three important facts to be noted: 1. The majority of law schools freely admit women. 2. Women lawyers are entitled to practice before all courts, state and national, "the same as men." When not admitted under existing statutes the respective legislatures, so far, with but two exceptions, have promptly passed enabling acts."<sup>19</sup> 3. Women lawyers are endeavoring to ameliorate unfavorable conditions. The "Women's International Bar Association," for instance, has for its objects: (1) To open law schools for women; (2) to remove all disabilities to admission of women to the bar and to secure their eligibility to the bench; (3) to disseminate knowledge concerning women's legal status; (4) to secure better legal conditions for women."<sup>20</sup>

#### *Theology.*

The Universalist Church was the first, in 1860, to open the doors of its theological schools for the training of women for the ministry, and "by its established forms ordain them to its full fellowship." Its register for 1889

<sup>19</sup> Meyer, p. 235.

<sup>20</sup> Com. Report for 1904-5, p. 957.

contains 35 women ministers. The Unitarian Church has a number of preachers, some of them regular graduates, others simply acting as "helpmeets" to their husbands. The Quakers regularly admit women as preachers. "The Presbyterians, by a vote of 93 to 24, decided in 1889 that the ordination of a woman as deacon is in harmony with the New Testament and the Constitution of the Apostolic Church." In 1893-94 there were 10 students in colleges of the Congregational denominations; 6 in Baptist colleges and 4 in a Universalist college.<sup>21</sup> The number of women in schools of theology for 1902 was 108.<sup>22</sup>

STATES OR TERRITORIES.	Students.
North Atlantic Division .....	40
South Atlantic Division .....	2
South Central Division .....	6
North Central Division .....	47
Western Division .....	13
Total .....	108

Fewer women have entered theology than the medical or the legal profession. This may possibly be explained by the fact that the ministry has not increased in popularity so rapidly as the other professions have, even for men.

<sup>21</sup> Report for 1894-5, p. 959.

<sup>22</sup> Report for 1902.



## BOOK DEPARTMENT

### NOTES.

**A. L. A. Catalogue.** 8000 volumes, for a popular library, with notes. Library of Congress. Pp. 889. Washington: Government Printing Office, 1904.

**Anderson, Frank M.** *The Constitutions and Other Select Documents Illustrative of the History of France, 1789-1901.* Pp. xxvi, 671. Price, \$2.00. Minneapolis: The H. W. Wilson Company, 1904.

This volume is designed primarily to meet the needs of college students engaged in the study of modern French history. It is a convenient collection, some two hundred and eighty public documents, translated, topically arranged and accompanied by brief explanatory notes and bibliographical references. The collection ends with the Waldeck-Rousseau Associations law of 1901.

**Batt, Rev. John H.** *Dr. Barnardo: The Foster Father of "Nobody's Children."* With an appreciation by the Duke of Argyll. Pp. xii, 196. London: S. W. Partridge & Co., 1904.

An extremely unsatisfactory account of the founder and conductor of one of the most important charities for children in the world.

**Béchaux, A.** *La Réglementation du Travail.* Pp. iv, 203. Price, 2 fr. Paris: Librairie Victor Lecoffre, 1904.

A timely and interesting addition to the library of social economy. Attention is called to the importance of the subject, and the widely divergent opinions of socialist and individualist with a plea for careful and methodical investigation of local difficulties.

**Blondel, Georges.** *La Politique Protectioniste en Angleterre.* Pp. xv, 161. Price, 2 fr. Paris: Victor Lecoffre, 1904.

The author sees in Mr. Chamberlain's appeal to the English pride of race the question as to whether or not England shall adopt a new economic régime, already answered in the affirmative, and France, shut out of her most important market by a customs barrier, becoming more and more a decadent nation. The object of the writer is to arouse France to her possibilities of taking rank among the foremost commercial nations; the volume is hurriedly written and presents little new material.

**Bourguin, Maurice.** *Les Systèmes Socialistes et l'Evolution Economique.* Pp. x, 549. Price, 10 fr. Paris: Librairie Armand Colin, 1904.

The purpose of this work is to show the relation of socialism to economic evolution. It is aptly divided into two parts, the first of which is given over to theoretical socialism and to a discussion of systems of socialism. In the second part the author presents a large number of phenomena occurring in the course of economic evolution, upon which he bases argument leading to the conclusion that no single radical system, whether individualism, col-

lectivism or general co-operation, can be imposed upon an organism so complex as present society. After a discussion of proposed changes, the author next turns to the presentation of a large number of facts pointing out the growth of trade-unionism, the formation of industrial coalitions, the extension of the rôle of the municipality and the development and evolution of like phenomena in the economic world. Co-operation will become more and more a distinctive element in the development of socialistic tendencies, but individual liberty will not be forfeited. The society of the future will be more largely democratic than ours, because it is inevitable that democracy in the political field will lead to democracy in the economic order. While the work is to be praised most for its easy-flowing style, M. Bourguin has clearly made a sufficient addition to the discussion of socialism to cause his work to receive considerable attention even in foreign countries.

**Brandenburg, Broughton.** *"Imported Americans."* Pp. xi, 303. Price, \$1.50 net. New York: F. A. Stokes Company, 1904.

The most interesting and important study yet made of present-day immigration into the United States. The author, a newspaper correspondent, with his wife, lived for a time in the Italian quarter of New York. Thence they go in the steerage to Italy, and make a study of the districts from which emigration is most pronounced. For some time they live in the family of a Sicilian peasant, whose sons have been some years in America, as had the father himself. Then with a group of Sicilians Mr. and Mrs. Brandenburg return in the guise of immigrants, observing the snares laid for the credulous incomer, whose great fear is that he may be kept out of America, suffering the ill treatment meted out to steerage passengers on board ship, and learning how the laws of this country are constantly evaded. No one can fail to enjoy this account, and no student can fail to see that our laws are anything but satisfactory at present. Mr. Brandenburg constantly emphasizes the need of the registration and inspection of would-be immigrants in their home communities, believing that this would be no more expensive than the present plan, and vastly kindlier than to turn so many back at the end of a long journey. At present many excellent families are restrained from leaving their homes by the fear that they may be refused entrance and thus suffer heavy loss. It is possible to stop the dumping on our shores of the degenerate and diseased, but not by existing methods. Mr. Brandenburg thinks that most of the Italians are desirable additions to our population. We gain nothing by an educational test for ability to read and write, Italian is as likely to hinder the process of Americanization as to help it. The revelations made of the debasement of our naturalization papers furnish food for thought. The author has nothing but good words for Ellis Island. The account is supplemented by many illustrations from photographs taken on the trip and the book is attractively bound.

**Carter, A. Cecil.** *The Kingdom of Siam.* Pp. 280. Price, \$2.00. New York: G. P. Putnam's Sons, 1904.

This volume, prepared by native Siamese in connection with the commission to the St. Louis Exposition, contains much valuable information about a

little-known land. The various chapters are of unequal value, and the style will not interest the general reader. There are many illustrations, chiefly, however, of temples and public buildings. The people are relatively neglected, though the chapter on agriculture is perhaps the best in the book.

**Carver, T. N.** *The Distribution of Wealth.* Pp. xvi, 290. Price, 1.50. New York: The Macmillan Company, 1904.

Reserved for later notice.

**Chancellor, W. E., and Hewes, E. W.** *The United States: A History of Three Centuries, 1607-1904.* Volume I. Pp. xxiii, 533. Price, \$3.75. New York: G. P. Putnam's Sons, 1904.

Reserved for later notice.

**Clark, J. B.** *The Problem of Monopoly.* A Study of a Grave Danger and of the Natural Mode of Averting it. Pp. viii, 128. Price, \$1.25. New York: The Macmillan Company for Columbia University Press, 1904.

We are not accustomed to thinking of the author of "The Distribution of Wealth" as a popular lecturer and *a priori* many of his admirers may not regard this attempt to popularize an abstract economic theory with hopeful anticipation. But those who read these lectures, which were recently delivered in Cooper Union, will have no questionings. Some of the fruits of years of close study in the innermost recesses of economic life are here presented in admirable fashion in lucid, cogent argument. This little volume abundantly confirms Huxley's observation that luminous exposition can result only from diligent study on the part of a perspicuous thinker. Professor Clark gives us a close analysis of an intricate problem, most of its perplexing phases succinctly set forth and accounted for, and modes of treatment suggested that command not only attention, but, for the most part, approval. The one great objective Professor Clark holds is to preserve that which makes for efficiency in production, reduces costs and increases economic product, and thus enhances social well-being and at the same time insures public control of the conditions that produce monopoly. The growth of trusts, so-called, and of all-powerful corporations, have no special terrors if we can keep down monopoly and prevent their "predatory" competition, whereby normal competition is ruthlessly crushed and the public put in subjection to the barons of industry and trade. In a rapid narration he exhibits the most significant developments on the modern growth of monopoly under six titles: (1) "The Growth of Corporations," (2) "The Sources of the Corporation's Power for Evil," (3) "Great Corporations and the Law," (4) "Organized Labor and Monopoly," (5) "Agriculture and Monopolies" and (6) "Governmental Monopolies." The public will probably be most interested in the third, wherein the modes of exerting public or legal control are suggested. His proposals are not novel nor initiatory; the most of them, indeed, we have heard often, but the reasons therefor, their nature and the conditions of their applications and the results that may be expected have seldom or never before been so clearly set forth.

**Conant, C. A.** *Wall Street and the Country.* Pp. ix, 247. Price, \$1.25. New York: G. P. Putnam's Sons, 1904.

Reserved for later notice.

**Curtis, Francis.** *The Republican Party.* Volume I. Pp. xxi, 532. Volume II, Pp. 566. Price, \$6.00. New York: G. P. Putnam's Sons, 1904.

This work should command serious attention. The very fact that it is honored by a foreword over the name of President Roosevelt, and that introductory notes covering a number of pages were written by Senator William P. Frye and Speaker J. G. Cannon, at once arouses an interest. By copious extracts from government documents, party platforms and newspaper files, the author shows first that the Republican party owes its origin neither to enthusiasts nor to a single movement. The party has been consistent throughout its career, and to-day stands "for the three great policies for which it stood at its birth," liberty, honor and progress. The celebration of its semi-centennial finds the country in a flood of prosperity. The Republican party "has seen to it that the wage money has been paid in dollars of full value equal in every case to one hundred cents." All these elements go to make the book intensely interesting. Mr. Curtis gives to the Republican party the entire credit for our present prosperity, but fails, except in rare instances, to more than mention policies or acts which were detrimental to the general welfare. For freeing four million slaves and conducting a successful war for the preservation of the Union, for the success of the Spanish War, and for the whole attitude of our country toward Cuba the Republican party alone is given the credit, all of which is manifestly unfair and inexact. There is no mention made of the Star Route frauds; the Tilden-Hayes episode is glossed over smoothly; the reduction of federal appointees under the Civil Service rule in the McKinley administration is passed by unnoticed; nor are these all the instances that might be cited. But in spite of the fact that the author is neither exact nor entirely conservative in all his statements, the work as a whole must command lasting respect.

**Darwin, Leonard.** *Municipal Trade.* Pp. xxiv, 464. Price, \$3.50. New York: E. P. Dutton Company.

Major Leonard Darwin has given his work the following sub-title: "The Advantages and Disadvantages Resulting from the Substitution of Representative Bodies for Private Proprietors in the Management of Industrial Undertakings." The book gives evidence that the disadvantages of public management have impressed themselves more strongly on Major Darwin's mind than the advantages. The impression which the author leaves on the mind of the reader is that he has undertaken an arraignment of the extension of municipal activities. The case against the municipal management of gas works, water works and street railways is more thoroughly presented than in any previous publication. The most valuable portion of the book is to be found in the author's discussion of the relative rate of improvement of service under municipal and private management. Evidence to prove the readiness with which private companies undertake improvements on a large scale is compared with the slow action of municipal authorities. As he aptly puts it: "Local authorities might reasonably hesitate to act like the New York Metropolitan Railway, which scrap-heaped a good cable plant worth over a million sterling, because it stood in the way of electrical progress." He clearly sees that the delay of English municipalities in improving the street railway service, espe-

cially the reluctance to introduce electricity as a motor power, reacted unfavorably on the social condition of the working classes in the larger cities of Great Britain. Although the work of Major Darwin is not convincing it will furnish much valuable information to the student of municipal government.

**Davidson, Thomas.** *The Education of the Wage-Earners.* Pp. ix, 247. Price, 75 cents. Boston: Ginn & Co., 1904.

An interesting and suggestive account of a learned man, who sought to give the best he had to aid his fellows. This little posthumous volume describes Mr. Davidson's activities on the East Side of New York, and gives stimulating glimpses not only of a wise educational program, but also of the charming relationships existing between the teacher and his pupils. Such a book strengthens one's faith in human nature, and in the possibility of larger social developments than most of us seek to realize.

**Dawson, T. C.** *The South American Republics.* Part II. Pp. xiv, 513. Price, \$1.35. New York: G. P. Putnam's Sons, 1904.

Reserved for later notice.

**De Bray, A. T.** *La Belgique et le Marché Asiatique.* Pp. xii, 385. Brussels: Polleunis and Ceuterick.

This book is a study in commerce and commercial policy. After a survey of the world as an outlet for the products of Belgian industries, the author concludes that Asia is the most promising field. The sixteen political divisions of that continent are then categorically taken up, their industries, economic condition and commercial policy are described, and the future is considered with especial reference to the Belgian trade.

**Devine, E. T.** *The Principles of Relief.* Pp. 495. Price, \$2.00. New York: The Macmillan Company, 1904.

See "Book Reviews."

**Dexter, E. G.** *A History of Education in the United States.* Pp. xxi, 656. Price, \$2.00. New York: The Macmillan Company, 1904.

This book is the first noteworthy attempt to present in a single volume an historical survey of the development of American education from the earliest beginnings to the present time. To compress so much in the one volume is a task of no small magnitude, and to say that Professor Dexter has done this with excellent judgment and discrimination is only to give due praise. From the very necessities of the case his narrative at times suffers so much from compression that its value to the student is doubtful. This is particularly true of the sketches of the development of the common schools in the several states of the Union. The average length of these sketches is but little more than a page. The main body of the work is divided into three parts, the first of which deals principally with the beginnings and early development of the "people's schools" in the colonies and in the older states of the South and West. Of greater present value, perhaps, is Part II, which treats of higher and special education. Under this head Professor Dexter describes the growth of the more important colleges and traces the history of professional and commercial education. He also discusses the education of the



negro, the Indian, the defective classes, the education of women and the preparation of teachers. Part III, dealing with educational extension, is unique and interesting. Here he deals with such agencies as libraries, periodicals, summer schools, evening and correspondence schools, learned societies, etc. It is no detractor from the character of the text to say that the most valuable feature of the work is the elaborate bibliography at the end of each chapter and the marginal references which are to be found on every page. This will be invaluable to future students who may undertake to write a more comprehensive history than he himself has done.

**Dunbar, C. F.** *Economic Essays*. Edited by O. M. W. Sprague. Pp. xviii, 372. Price, \$2.50. New York: The Macmillan Company, 1904.  
Reserved for later notice.

**Dyer, Louis.** *Machiavelli and the Modern State*. Pp. xx, 163. Boston: Ginn & Co., 1904.

The volume is made up of three chapters, originally delivered as lectures in England in 1899, under the titles "The Prince and Cæsar Borgia," "Machiavelli's Use of History," "Machiavelli's Idea of Morals." The author was formerly an assistant professor at Harvard.

**Franklin, C. K.** *The Socialization of Humanity*. Pp. xi, 481. Price, \$2.00. Chicago: C. H. Kerr & Co., 1904.  
Reserved for later notice.

**Friedenwald, Herbert.** *The Declaration of Independence*. Pp. xii, 299. Price, \$2.00. New York: The Macmillan Company, 1904.  
See "Book Reviews."

**Ghent, W. J.** *Mass and Class*. Pp. x, 260. Price, \$1.25. New York: The Macmillan Company, 1904.

All who read the brilliant arraignment of modern society, published by Mr. Ghent in 1902 under the title "Our Benevolent Feudalism," will be interested in the present volume. Mr. Ghent emphasizes the part class struggle has played in American development. There are, he says, six classes directly concerned in production and distribution of wealth: (1) The Wage-earning Producers, (2) Self-employed Producers, (3) Social Servants (Educators, etc.), (4) The Traders (Manufacturers and Dealers, Financiers), (5) Idle Capitalists, (6) Retainers (Lawyers, Clerks, Politicians, etc.). In a stimulating and suggestive way he discusses class ethics in general, and those of these classes. The individualistic ethics of the trading class are anti-social, and sooner or later the great producing classes will assert their supremacy.

**Goodnow, F. J.** *City Government in the United States*. Pp. x, 315. Price, \$1.25. New York: The Century Company, 1904.  
Reserved for later notice.

**Hall, W. E.** *A Treatise on International Law*. Fifth Edition. Edited by J. B. Atlay, Oxford. Pp. xxi, 764. London: Clarendon Press, 1904.

In spite of the large number of treatises on international law published during the last ten years, Professor Hall's work has maintained its authority

unimpaired. Under the able direction of Mr. Atlay a fifth edition has been issued in which the precedents cited in previous editions have been enriched by the addition of the more recent experience in international relations. No other writer on international law, with the possible exception of Wheaton, has rivaled Professor Hall in the orderly arrangement of material and the clear and definite formulation of conclusions. He easily leads the English commentators in this field of jurisprudence. Even in matters affecting fundamental questions of British policy, he displays an exceptional ability to free himself from local and even national prejudices. The most valuable features of the present edition are the insertion of the international questions incident to the Chinese-Japanese War, the Venezuelan boundary dispute, The Hague Conference, the Spanish War and the South African War. The editor has shown great ability in eliminating those portions of the original edition that have been superceded by reason of new treaty stipulations. He has made the work a clear exposition of the present status of international law.

**Halpern, Georg.** *Die Jüdischen Arbeiter in London.* Pp. viii, 84. Price, 1.50 M. Stuttgart: J. G. Cotta.

In a brief compass this work contains an excellent résumé of the condition of Jews in Russia, the immigration into London and the various problems, housing, sweat shops, etc. The situation in London is far better than that in Russia, because of the possibility of education and training of the children.

**Harris, N. Dwight.** *The History of Negro Servitude in Illinois.* Pp. xi, 276. Price, \$1.50. Chicago: A. C. McClurg, 1904.

In this volume Professor Harris describes the development of slavery and tells the story of the abolition movement. The data have been gotten from original records, in large measure supplemented by verbal testimony of many who took part in the later phases of the contest. The book is an important contribution, not merely to Illinois history, but makes available new material for that great history of the negro in America which will some day be written.

**Hauriou, M. Gaston, Jeze et Charles Rabanay.** *L'Année Administrative, 1903.* Pp. iv, 664. Price, 10 fr. Paris: Giard & Brière, 1904.

The plan of this annual is not a new one to French works on administrative subjects. While setting for itself the general task of giving a complete exposition of the year's events, decisions and discussions with reference to French administration, the work addresses itself particularly to those who either in a public or a private capacity have occasion to make practical application of the information which it is to give. The high character of the work already performed by the two editors, as well as the first number of the review itself, indicates that the work will be well done.

**Hay, John, and Root, Elihu.** *The Republican Party.* Pp. 57. Privately printed. New York: 1904.

**Herrick, C. A.** *Meaning and Practice of Commercial Education.* Pp. xv, 378. Price, \$1.25. New York: The Macmillan Company, 1904.  
Reserved for later notice.

**Hosmer, Dr. James K.** (Editor). *Gass's Journal of the Lewis and Clark Expedition*. Pp. liii, 298. Price, \$3.50, net. Chicago: A. C. McClurg & Co., 1904.

Students of American history are under obligation to the publishers for this excellent reprint of the original edition of 1811. Dr. Hosmer pays many compliments to Patrick Gass in his introduction. The volume is uniform in style with other volumes of McClurg's "Americana," with reproductions of the original illustrations. There are few more noteworthy expeditions in our history than that of Lewis and Clark, and the story of the last survivor of the party is full of interest, supplementing, as it does, the official journal of the expedition.

**Hunt, Agnes.** *The Provincial Committees of Safety of the American Revolution*. Pp. 180. Cleveland: Western Reserve University, 1904.  
Reserved for later notice.

**Hunter, Robert.** *Poverty*. Pp. ix, 382. Price, \$1.50. New York: The Macmillan Company, 1904.  
Reserved for later notice.

**Johnson, Sidona V.** *A Short History of Oregon*. Pp. 329. Price, \$1.00. Chicago: A. C. McClurg & Co., 1904.

A short but comprehensive account of the state from the earliest discoveries to 1904. History shows that the decision that Oregon was worth saving was wise, and this succinct account of that wonderful region will interest many who only know of it in a general way. There are numerous half tones of prominent men and natural scenery.

**Kellor, Frances.** *Out of Work*. Pp. ix, 292. Price, \$1.25. New York: G. P. Putnam's Sons, 1904.

Miss Kellor is widely and favorably known as a student of social and economic conditions. This volume will increase her reputation. The subject is extremely important and the work is well done. The title is open to criticism for employment agencies form the subject matter. Naturally offices for supplying domestic help receive most lengthy treatment. Miss Kellor and her assistants got this information by going to the offices now in the rôle of an employer, now as a servant, in a number of the largest cities of the country. The need of greater regulation of such agencies is obvious from the evidence presented, although there are many high-grade offices; while there are indications that a certain percentage of householders are not fit to have servants. Employment agencies for men, teachers' exchanges, free employment agencies are also discussed, and the last chapter is devoted to state and municipal laws. This volume should command the attention of housekeepers and employers generally, as well as students, for it indicates that the reign of graft is not confined to political positions, and the corrupting influences of many agencies are clearly set forth. It is a pleasure to note that not only is Miss Kellor continuing her investigations, but that in several cities organizations are being started to try to meet the needs already made evident.

**King, Irving.** *The Psychology of Child Development.* Pp. xxi, 265. Price, \$1.00. Chicago: University Press.

It is now generally recognized that social problems are solved only by the help of related sciences. One of these is psychology and new books in this field should not be overlooked. Mr. Irving King, formerly a fellow at the University of Chicago and a student under Professor Dewey, has published a book on "The Psychology of Child Development." It represents the viewpoint of Professor Dewey, who writes an approving preface. The main thought of the book is that the *complete setting* of an act must be known before one can say what it means. This demands a thorough study of the basis of child development and of social as well as psychic principles. The book deserves study. It is a careful, sane statement of the newer psychology as developed by the school of thinkers centered at Chicago.

**Lavisse.** *Histoire de France.* Tome VI, 1, par Jean H. Mariéjol. Pp. 429. Price, 6 fr. Paris: Hachette et Cie., 1904.

Volume VI, Part I, of *Lavisse's Histoire de France* includes the years 1559-1598, and treats of *La Réforme et la Ligue* and *l'Edit de Nantes*. The author tells the intricate story with skill, and by giving an unusual number of individual traits, makes the more important personages very real. His account of the policy of Catherine de Medicis is especially interesting. Because of the infinite detail necessary to the political history, less attention is given to the life of the people than in some of the preceding volumes. It is to be hoped that the second part will devote more space to the progress of the nation.

**Lawson, Jesse** (Editor). *How to Solve the Race Problem.* Pp. 286. Price, \$1.00. Washington, D. C.: R. Beresford, 1904.

This volume is the report of the proceedings of the Washington Conference on the Race Problem in the United States, which was held in November, 1903. Among the principal papers are those of Bishop L. H. Holsey, of Atlanta, "Race Segregation"; Rev. A. D. Mayo, of Boston, "The Duty of the White American towards His Fellow Colored Citizen"; Rev. D. R. Babbitt, of Brooklyn, "The Psychology of Race Prejudice"; Rev. A. S. Crapsey, of Rochester, "The Duty of the White Man of the North to the Black Man of the South." The paper by Mr. Mayo is unusually good; the others offer no contribution to the title of the volume, and might well be headed "How to Increase Race Prejudice." The conference seems to have been under the control of those who believe that the chief aim of the negro just now should be to retain the suffrage, by force, if necessary. We are in much more accord with the arguments presented for national aid to southern education and for a commission to study the negro people. The volume contains portraits of a number of participants in the conference.

**Macy, Jesse.** *Party Organization and Machinery.* Pp. xviii, 299. Price, \$1.25. New York: The Century Company, 1904.

Reserved for later notice.

**McDermott, E. R.** *Railways.* Pp. vii, 197. Price, 2s. 6d. London: Methuen & Co., 1904.

In the series of twelve "Books on Business," Methuen & Co. have included

a volume on "Railways." With the exception of an unsatisfactory "Historical Sketch," the book is well written, and the material presented is well selected. The purpose of this and other volumes in the series is to present briefly and in a non-technical style the salient features of the industry discussed. The present volume deals with the "Railways and the Public," "Railway Administration," "Railways as Investments" and the "Future of Railways." The legislation on the regulation of railways is well summarized. The powers of the Board of Trade are given, and the history of the railway clearing house, and its organization and activities are clearly presented. The discussion of railway investment and the future of railways is too brief to be as valuable as might be wished. The author, who is "Joint editor of the *Railway News* and city editor of the *Daily News*," has shown good judgment in the selection of material.

**McKinley, Wm.** *The Tariff*. A review of the tariff legislation of the United States from 1812 to 1896. Pp 266. Price, \$1.75. New York and London: G. P. Putnam's Sons, 1904.

The publishers of the "Writings of Henry Clay" secured the services of William McKinley for the preparation of an essay on the "Tariff in the Days of Henry Clay and Since." The essay, which has now been reprinted under separate cover, was a volume in length, and discussed with some detail the main phases of the history of the tariff from 1824 to 1894. The period previous to 1861 was but briefly covered. The essay was written in 1896, when Mr. McKinley was Governor of Ohio, and while the information he had gained as chairman of the Ways and Means Committee was still fresh in mind. Naturally the legislative and political aspects of the tariff are the ones to which most attention is given. The author recognizes his difficulty of dealing with the subject in a non-partisan way, but states, "It has been my honest endeavor to do justice to all directly participating in the events narrated. It has been my aim to present as completely as possible a review of proposed tariff legislation since the close of the Civil War to the present time, as well as a sketch of the measures actually enacted, to the end that the student may observe the trend and purpose of the leading political parties in respect to this economic question." The essay was intended for general readers and its merits fully justify its being put into book form.

**McVey, F. L.** *Modern Industrialism*. Pp. xvi, 300. Price, \$1.50. New York: D. Appleton & Co., 1904.

Reserved for later notice.

**Miltoun Francis** (Editor). *Ships and Shipping*. A hand-book of popular nautical information, with numerous diagrams, plans and illustrations. Pp. xiii, 366. Price, 5s. London: Alexander Moring, Ltd.

Students of commerce and shipping will find Miltoun's "Ships and Shipping" a useful little compendium of well-selected information. The facts presented cover technical nautical matters, an account of the merchant service, a brief statement regarding ship canals, Lloyd's Association, fleets of the principal steamship companies and many other similar topics. The brief gazetteer of ports and of important shipping events is especially to be commended. The volume will be revised and published annually.



**Ober, Frederic A.** *Our West Indian Neighbors.* With map. Pp. 433.

Price, \$2.50, net. New York: James Pott & Co., 1904.

Perhaps no man in the United States has had a longer or more extensive acquaintance with the West Indies than Mr. Ober. Many quaint and little known facts are recorded, but the total result is very unsatisfactory. The account is rambling and superficial, much space being devoted to things of no importance, while the reader is constantly reminded that the author was the first to do this or that. Calendered paper is used in the book and there are over fifty excellent illustrations.

**Robinson, Chalfant.** *A History of Two Reciprocity Treaties.* Pp. 220.

New Haven: Tuttle, Morehouse & Taylor, 1904.

This book is made up of three essays, which are given over in the main to a compilation of historical facts regarding the Treaty of 1854 with Canada, the Treaty of 1876 with Hawaii and the treaty-making power of the House of Representatives. The author is careful to point out that the causes leading to the Canadian Treaty were political rather than commercial, and its abrogation due in the main to the popular feeling against the Canadians for the part which they took in the Civil War. The Hawaiian Treaty is ascribed to the fear on the part of the United States that Great Britain might gain foothold in the Sandwich group.

**Russell, Israel Cook.** *North America.* Pp. x, 435. Price, \$2.50, net.

New York: D. Appleton & Co., 1904.

Professor Russell's volume on "North America" deals almost entirely with the physiography, biogeography and geology of North America. There is only one chapter, and that a brief one, on political geography, and there is scarcely any account whatever of economic geography. This limitation of the work is not the fault of the author. As planned by him, it was to include "First, a discussion of the natural conditions or physical geography, and, second, man's dependence on and use of the natural resources or economic geography." It is to be regretted that the author was unable to carry out his plan. The editor and the publishers ought to have arranged for two volumes instead of one for "North America." Possibly they may decide to supplement the present volume by a second one dealing with the political and economic geography of North America. Professor Russell maintains in this book his well-known reputation for scholarly and careful work. The subjects covered by the book are well presented, and the volume will be welcomed by all serious students of American geography. The four volumes of the "World Series" that have thus far appeared are of such merit that the remaining eight or more volumes will be welcomed by all students of geography. The books will be of service not only to the relatively limited number of persons who are interested in geography *per se*, but also to those who desire a knowledge of geography as auxiliary to a better understanding of the political and social sciences.

**Scherer, J. A. B.** *Japan of To-day.* Second Edition. Pp. 323. Price, \$1.50, net. Philadelphia: J. B. Lippincott Company, 1904.

The author was for a number of years a teacher in Japan, and he gives us

interesting and readable sketches of the life he saw about him. The book is marred by attempts at fine writing and by bits of pious cant, but the author is happy in his descriptions and the book will be enjoyed. The illustrations, twenty-eight in number, of which two are colored, deserve special mention.

**Schmoller, Gustav.** *Jahrbuch für Gesetzgebung, Verwaltung u. Volkswirtschaft im Deutschen Reich.* Volume I. Pp. 448. Leipzig: Duncker & Humblot, 1904.

With this number the Yearbook begins its twenty-eighth year. To American readers the monograph of 128 pages by L. Glier, of Barmen, on "The Latest Development of the American Iron Industry," will be of greatest interest. Among other important articles are "The Foreign Trade Relations of Austria-Hungary" and "Oran, North Africa's Most Important Trade Center."

**Shaler, N. S.** *The Neighbor.* Pp. x, 342. Price, \$1.40. Boston: Houghton, Mifflin & Co., 1904.

The central point in the volume is the origin and nature of race hatreds, with especial attention to the Hebrew and the African. Aside from the skillful analysis of ethnic motives in general, the most valuable part of the book is the discussion of the negro problem. The author believes, in spite of his good qualities, that the negro should be taken out of politics for a time to bring about a truce to race hatred. "Any attempt to force an adjustment will be likely to result in something like race war." The author's general conclusion in regard to race hatred is that while this motive may, in certain social states, serve a very useful purpose, among civilized peoples "this motive may well be compared with the appendix of the cæcum, a remnant of a primitive estate which is altogether evil, for it breeds disease."

**Shambaugh, B. F. (Editor).** *The Messages and Proclamations of the Governors of Iowa.* Volume VI. Pp. x, 429. Iowa City: State Historical Society.

This volume contains the messages and proclamations of Governor Larrabee and Governor Horace Boies, 1886-1894, two of the most interesting and important Governors of the state. As in earlier volumes, biographical sketches are given of the Governors.

**Siebert, Wilbur H.** *The Government of Ohio.* Pp. xvi, 309. Price, 75 cents. New York: The Macmillan Company, 1904.

A welcome addition to the excellent series of hand-books of American government designed for school use.

**Smith, Adam.** *An Inquiry into the Nature and Causes of the Wealth of Nations.* Edited by Edwin Cannan. Two Volumes. Pp. xlviii, 462; vii, 506. Price, \$6.00. New York: G. P. Putnam's Sons, 1904.

This annotated edition of Adam Smith by Professor Cannan, of the University of London, will henceforth be the standard. Availing himself of all sources of information the author follows the fifth edition, the last published before Smith's death, and traces all changes through the various editions and presenting the text so accurately that even its misprints are included. Smith's sources of information are stated wherever ascertainable and the degree of

accuracy of the quotation indicated. It is hard to see how the editor's work could be improved save by the discovery of new sources of knowledge. In the introductory chapter Smith's indebtedness to Hume, Mandeville, the Physiocrats and others is discussed. Students of history and political economy will welcome such a scholarly presentation of their famous predecessor.

**Smith, Charles Sprague.** *Working with the People.* Pp. xvi, 161. Price, 50 cents. New York: A. Wessels Company, 1904.

This little volume belonging to the series of "Hand-books for Practical Workers," contains many valuable suggestions to those engaging in social work. It is a record of the experience of the author in the People's Institute in New York City, and as a record of work well done deserves careful consideration. Unity and brotherhood are the key-words to successful efforts.

**Smith, O. J.** *Balance: The Fundamental Verity.* Pp. xi, 286. Price, \$1.25. Boston and New York: Houghton, Mifflin & Co., 1904.

**Spearman, F. H.** *The Strategy of Great Railroads.* Pp. viii, 287. Price, \$1.50. New York: Charles Scribner's Sons, 1904.

**Tapp, S. C.** *The Story of Anglo-Saxon Institutions or the Development of Constitutional Government.* Pp. ix, 245. Price, \$1.50, net. New York: G. P. Putnam's Sons, 1904.

This book is an attempt "to demonstrate from historical facts that the Anglo-Saxon race is the only race that has ever had a true conception of republican institutions or solved correctly the problem of self-government." After discussing such subjects as "Sovereignty," "Delegated Powers," "Constitutions," etc., the author traces the origin and rise of popular government in England, and its struggle with what he calls "Normanism." We are told that the purpose of the Norman invasion of England was to "suppress the doctrine of the consent of the governed" (p. 83); that the "Normanism" of England has ruined Ireland (p. 128); that it was this element that persecuted and banished the Jews from England (Chap. XVI), and that the American Republic is but the "Sociological and political evolution of Anglo-Saxonism through centuries of struggle with Normanism and Gothism" (p. 222).

**Terlinden, Ch.** *Le Pape Clément IX et la Guerre de Candie (1667-1669) d'après les Archives Secrètes du Saint Siège.* Pp. 351. Price, 5 fr. Paris: Albert Fontemoing, 1904.

This thorough and exhaustive study of the last three years of the struggle of western Europe against the Ottoman Turks for the possession of the island of Cyprus, by M. Ch. Terlinden, is based chiefly on the secret archives of the Vatican, on the correspondence of the papal nuncios, especially those of France, Spain and Venice, the countries most interested in the war, on the valuable *lettere di principi*, and on special sources relating to the struggle in the private archives of the Rospigliosi family. After a chapter on the preliminary period to 1667, M. Terlinden takes up in the four following chapters the election of Clement IX, the political situation at the peace of Aix-la-Chapelle and the plan for a crusade to deliver Crete. In the remaining chapters the failure of the expedition, the defection of Louis XIV from the cause

and the peace with the Turks are considered. In addition to a detailed bibliography of the manuscript sources, there is a section devoted to the secondary authorities, but it consists, unfortunately, merely of the titles with dates and place of publication, without critical comment.

**Thorpe, F. N.** *A Short Constitutional History of the United States.* Pp. vii, 459. Price, \$1.75. Boston: Little, Brown & Co., 1904.

Reserved for later notice.

**Thuenen-Archiv.** *Dr. Richard Ehrenberg* (Editor). University of Rostock. Price, 4 M. Jena: Gustav Fischer.

This is a new economic journal to discuss problems of labor and capital, commerce, etc. The first number contains among other articles an interesting account of the great firm of Siemens & Halske.

**Veblen, Thurstein.** *The Theory of Business Enterprise.* Pp. viii, 400. Price, \$1.50. New York: Charles Scribner's Sons, 1904.

Reserved for later notice.

**Vidal, Georges.** *Considerations sur l'Etat Actuel de la Criminalité en France et les Caractères de la Criminalité Moderne.* Pp. 108. Paris: Librairie Nouvelle de Droit et de Jurisprudence, 1904.

Professor Vidal gives evidence to show that crime is steadily increasing in modern society, and that scientific knowledge has been turned to the advantage of offenders, while the measures for protecting society have not been sufficiently developed.

**Walker, Francis.** *Monopolistic Combinations in the German Coal Industry.* Pp. viii, 334. Price, \$1.25. New York: The Macmillan Company for American Economic Association, 1904.

Reserved for later notice.

**Warren, Algernon.** *Commercial Knowledge.* A Manual of Business Methods and Transactions. Pp. 260. London: John Murray.

A brief discussion of business affairs has been attempted in this volume. The book is intended to be used as an elementary text-book and as such it has some merits; but students even in secondary commercial schools will find the treatment of the twenty topics considered altogether too brief. It is manifestly impossible to discuss adequately in a volume of 260 pages all the topics studied in a commercial high school or a business college.

**Wilcox, Delos F.** *The American City: A Problem in Democracy.* Pp. 423. Price, \$1.25. New York: The Macmillan Company, 1904.

It is an encouraging sign that the recent treatises on municipal government do not confine attention to questions of governmental organization. In this work of Dr. Wilcox but two of the fourteen chapters treat administrative questions. The others are devoted to an analysis of the conditions of city life and of the changes that are necessary in order to bring the population into closer touch with the city environment. Dr. Wilcox has done a real service in throwing the responsibility for the improvement of civic conditions on the

individual rather than on the government. It is the emphasis of this aspect of the subject that is gradually developing in our city population, an appreciation of the fact that mere changes in the mechanism of government will not solve the problems of city life. In his chapter on "The Control of Leisure" he explains with great clearness the influence which the city may exert in directing the use of leisure. He shows a keen appreciation of the deep social import of the proper use of leisure, and his words may well receive the consideration of every one interested in civic betterment. The book is an important contribution to the literature of city institutions and opens a new field for fruitful research.

**Willoughby, W. W.** *The American Constitutional System.* Pp. xvi, 323. Price, \$1.25. New York: The Century Company, 1904.  
Reserved for later notice.

**Winch, W. H.** *Notes on German Schools.* Pp. viii, 264. Price, \$1.50. New York: Longmans, Green & Co., 1904.

A very timely and suggestive study of German methods of teaching, not a description of the school system. Teachers, particularly teachers of pedagogy, will be greatly interested in the facts presented.

**Young, J. S.** *A Political and Constitutional Study of the Cumberland Road.* Pp. 107. Price, \$1.00. Chicago: University Press, 1904.  
Reserved for later notice.

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REVIEWS.

*L'Education des Nègres aux Etats-Unis.* By KATE BROUSSEAU, Ph. D., University of Paris and Professor of Psychology, Los Angeles, Cal. Price, 7.50 fr. Paris: Felix Alcan, 1904.

This book is a critical résumé of some 400 pages. The author has collected a mass of information from various sources, and gives the reader a good idea of what has been done. The volume contains no specially new contributions to the discussion, and in spite of the wide range of topics treated I question whether all the important factors in the situation have been duly considered and whether the picture drawn is always true to life. The difficulties arising from the character of the negro are minimized and glossed over. The mulatto question is almost ignored. There is little evidence that the economic geography of the South is understood or its significance for the future realized. In getting at the spirit of the South such important books as Tillinghast, "The Negro in Africa and America" and Brown, "The Lower South in American History" were not consulted, judging from the bibliography, and the same is true of Hammond, "The Cotton Industry"; Willcox, "Negro Criminality," and Stone, "The Negro in the Yazoo Mississippi Delta"; for Europeans, Ernst von Halle's *Baumwollproduktion*.

Throughout the book race prejudice is constantly receiving condemnation, but in such fashion as to raise the suspicion that the author does not



understand its meaning. It will not disappear because of the censure, but is one of the most permanent and important elements of the whole situation. To the statement that "The true solution of the problem will not come till the equality of the two races is really admitted," it may be rejoined that race prejudice *may* disappear when the races *are equal*, certainly not before.

Industrial education receives qualified approval, though Dr. Brousseau seems to think that its chief exponents are naïvely seeking in this fashion to make the black man useful to the white. By quoting many pages of the Atlanta conference report on industrial education, without any word of explanation or warning, the author creates a doubt as to whether she knew the biased character of that report. Moreover, the author appears to believe that the leading advocates of industrial training are opposing literary and professional instruction, which certainly is not true.

To my mind, the sketch of the limitations placed upon the development of the black by the antagonism of the whites is decidedly overdrawn. The tone of the book is a bit too pessimistic, but the final conclusions will be generally accepted. The author thinks that more attention should be paid to education, and that the national government should assist the states. It is not suggested that there are any legal or other difficulties in the way of this national aid.

Dr. Brousseau has done well to place before European readers so many facts regarding this difficult problem. The unfortunate feature is that the evil influences are unduly emphasized.

There is a good classified bibliography of American works. Curiously enough no reference is made to any French or German publications.

CARL KELSEY.

*University of Pennsylvania.*

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*The Cambridge Modern History*, Volume VIII, *French Revolution*. Pp. xxvii, 875. Price, \$4.00. New York: The Macmillan Company, 1904.

As a specimen of composite authorship in a complicated and difficult period of history, this volume must be counted a conspicuous success. No single-volume history of the French Revolution in the English language, and possibly none in French, contains so much and such well-organized information as that embodied within the compass of this book. In breadth and accuracy of treatment, in the opinion of the reviewer, it is superior to any that has yet appeared in the series. This success is all the more because of the inherent difficulties of the subject. Admitting that the national prejudice of an Englishman against France at this time is a negligible quantity, in the light of the ideals of modern scholarship, there yet remains the variation likely to arise from the fact that several minds have produced the whole, and the necessity of reducing, so far as possible, the individual treatment of each to the common denominator of a single, compact and well-rounded history. The very method in the making of the book has militated against such a result. The unity of the subject suffers from the diversity in regard to authorship as well as from the method of division adopted. For example,

the point of view of Professor Montague towards the Revolution is somewhat different from that of Professor Moreton Macdonald; Mr. Browning's estimate of Pitt differs from that of Mr. Lodge; and, finally, the treatment of the history of the war entirely apart from events within France makes it very difficult for the reader to understand the politics of the Legislative Assembly or the Convention at certain times.

Yet in the main, the correlation of the separate chapters has been admirably done. The mortising, nevertheless, would be evident at certain points even if it were not indicated by the table of contents. This is particularly manifest in the transition from the National Constituent Assembly to the Legislative Assembly. Save for an introductory chapter by Professor Willert, of Exeter College, and a short one by Henry Higgs, of H. M. Treasury, the first portion of the work proceeds from the pen of Professor F. C. Montague, of University College, London. The history of the Legislative Assembly, of the National Convention and the Terror falls to Professor Moreton Macdonald, of Magdalen. The former is a judicious, temperate friend of the Revolution; not so the latter. Is it not going too far to say that "the Jacobin Club (in September, 1791,) . . . had carefully forced through . . . measures calculated to secure for it the mastery in the Legislative. The imposition on all electors of the civic oath had the effect of disfranchising a great number of the more respectable voters. . . . If thousands were disfranchised by this measure, millions were kept away by the *wanton and deliberate complication* of the electoral machinery, which was also a part of the Jacobin plan" (p. 211). It is to be observed that Professor Montague (p. 202) does not take this view of the provisions of the constitution in this matter. Such a stinging indictment of the electoral system as the above is true of the condition of things in September, 1792, but surely overdrawn for September, 1791 (Cf. p. 245). Again, was there no thought of using terror as a principle of government in 1793? Are the famous speeches of Barère of September 5, 1793 (*Moniteur*, Anno I, No. 251) or Robespierre's of 17 Pluiose (*Buchez et Ronx*, xxxi, p. 268 et seq.), in elucidation of this doctrine wholly cant? (Cf. Wallon: *La Terreur*, II, p. 208 et seq.). If there was more to blame during the period of the Girondins and the Terror, is there not also more to praise? The *inevitableness* of continued revolution after 1791 is something Mr. Macdonald finds it hard to become reconciled with. These observations are not made with a wish to be hypercritical, for the chapters in question are among the most brilliant in the volume.

Mr. Oscar Browning's consideration of "The foreign policy of Pitt to the outbreak of the war with France," and Mr. Lodge's chapters upon "The European Powers and the Eastern Question" and "The Extinction of Poland, 1788-97," evince that grasp upon the subject which these more veteran students of history are well known to possess. The weakest chapter is the sixteenth, "The Directory," whose corruption is fully set forth, but whose singular diplomacy, which was responsible for much of the war that followed, is almost entirely neglected. But this deficiency is in part redeemed by three chapters upon "Bonaparte and the Conquest of Italy," "The Egyptian Expedition" and "The Second Coalition," by Mr. J. H. Rose, which, while far

from being an abridgment of the first portion of the "Life of Bonaparte" by him, yet need not be considered in detail because their essential element has already been given to the world in more substantial compass. To these Napoleonic chapters must be added that upon "Brumaire," of which Mr. H. A. L. Fisher, of New College, Oxford, one of the ablest of the younger coterie of English students of continental history, is the author.

The American reader at the outset (p. 2) will probably be disposed to think the statement too bare a one to the effect that "the Americans had adopted and proclaimed the same principles as the French revolutionists." The men of 1776 did not fight for "maxims which, in France, had been proclaimed loudly in drawing-rooms, but scarcely whispered in the market-place," as Mr. Higgs says (p. 92); falling thus into the error of Professor Willert, but for the immemorial rights of Englishmen, the liberty of the subject, not abstract liberty, this every American student understands in spite of the verbiage of the Declaration of Independence. It is an injustice to Fleury to declare that Machault "was the one able finance minister of Louis XV" (p. 25), for Fleury paid off the double debt of the War of the Spanish Succession and the profligacy of the Regency. The old statement that Richelieu instituted the intendants (p. 38) is to-day refuted. Mr. Montague seems to be unaware of M. Hanataux's work upon the origin of the intendant. The assigned origin of the term "chambres ardentes" (on p. 48) was the popular, but is not the historical, source of this term. While the south of France, in contrast with the north, was the region of written law, even the Roman law there had been reduced to a variety of *coutume* more than the reader would infer from the paragraph (on p. 49) upon this subject. The discussion of population (on p. 60) omits what might have been presented in a valuable paragraph, namely, a short account of the shiftings of population between 1614 and 1789. The iniquities of the financial system (described on p. 71) lay too heavy blame upon the shoulders of Louis XIV, as an investigation of conditions in the time of the Fronde and a study of the trial of Fouquet would have shown. Taine's estimates in regard to the burden of taxation are unreservedly accepted, although M. Aulard is on record in the *Paris Temps* of August 5, 1903, when a movement to erect a statue to Taine was on foot, to the effect that "sa documentation, presque toujours erronée, n'est qu'une fantaisie." Among the reforms of Turgot (enumerated on pp. 85-6) his abolition of the guilds is omitted. Mirabeau's speech of June 23d, which is more famous than historical, is credited (on p. 157), although latest researches prove it to be apocryphal.

So far exception has been made to matters of detail, a few errors both of omission and of commission. But leniency cannot be extended to the omission of any account of Mirabeau's negotiations with the court after October 5th and 6th, to the memoir of October 15, 1789, a state document of great importance; and the later one of May 10, 1790. The same criticism may be made regarding failure to explain the self-denying ordinance of Robespierre. No mention of it appears where it should have been mentioned, and suddenly (on pp. 213 and 239) allusion is made to it in terms which imply that the reader should know all about it. Again, while the

origin of the Jacobin Club is given, nothing is said as to its method of organization or as to the causes of its rapid expansion, though every large town had one by the summer of 1790, and there were 229 in March, 1791; nearly 400 in August; 1,200 in June, 1792; and over 2,600 in September of the same year. Danton is held in large degree responsible, in his capacity as minister of justice, for the September Massacres. But was his attitude "at best one of cynical indifference"? Professor Macdonald ignores the thought of Danton's partisans that, owing to the danger upon the frontier, after the taking of Longwy and Verdun, resort to terror might have been deliberately made in order to intimidate the invading army in whose ranks were many of the *émigrés*, and that Danton's policy was not one of cynical indifference, but a deliberate one.

At this point (end of Chapter VIII), owing to the arrangement of the book, which treats the war on land and on sea apart, as separate subjects, unless the reader is well grounded in revolutionary history, he will do well to turn over to Chapter XIV, "The General War," by Prof. R. P. Dunn Pattison, of Magdalen, so that he may be able to weave the history of the war into the web of politics within. This he will be unable to do, however, in one particular, namely, in the matter of the Pillnitz Manifesto. The treatment of this subject (p. 399) is wholly inadequate, not to say inaccurate. The terms of the manifesto were made operative upon a condition of things Leopold knew to be impossible of accomplishment; the emperor's mind was fixed far more intently upon the impending partition of Poland than upon France, or busy with the old scheme of exchanging the Austrian Netherlands for Bavaria (Cf. Mr. Lodge in Chapter XVII, "The Extinction of Poland," p. 532). The Pillnitz Manifesto was meant more as a sop to the royal family of France and the *émigrés* than "to intimidate the French people," as von Sybel (Bk. IX) and von Holst have shown. A minor defect of this chapter also is the omission to state the demoralization and general incapacity that characterized Brunswick's army (see the interesting note in Fletcher's edition of Carlyle's "French Revolution," Vol. II, p. 341). From this chapter the reader who chooses his way, and does not follow too rigidly the method of dividing the subject laid down by the editors, will turn to Mr. Browning's chapter upon the foreign policy of Pitt. This chapter, while able and accurate so far as tested, lacks imagination. The author has little sympathy with the ideas of the Revolution and fails to appreciate how deeply the idea of "natural frontiers" influenced the French. Sorel's *L'Europe et la Revolution Française* (Vol. I, pp. 254 ff.), or certain lucid pages in the second volume of Bourgeois' admirable *Manuel Historique de Politique Etrangère*, would be pertinent reading for the student at this juncture. One minor quality of Mr. Browning's writing likely to be especially appreciated by an American reader, is his careful effort to make his man clear under the mass of titles he may wear. He tells the reader at the start that Jenkinson became Lord Hawkesbury and later Lord Liverpool; that Eden became Lord Auckland; that Sir James Harris blossomed into Lord Malmesbury.

In concluding this review a word of praise must be said of the two closing chapters of the volume, that upon "Revolutionary Finance," by Henry



Higgs, and that of M. Paul Viollet upon "French Law in the Age of the Revolution." It was a master-stroke of the editors to secure M. Viollet's pen for this subject, and also to get Professor Maitland to revise the translation of it. This one chapter in itself is worth the price of the volume to any serious student of the Revolution. There is information in it which cannot be discovered elsewhere, save by long and deep delving into many and recondite sources.

The classified bibliography appended to the volume is excellent, but the index is very inadequate.

JAMES WESTFALL THOMPSON.

*University of Chicago.*

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*The Principles of Relief.* By EDWARD T. DEVINE. Pp. 495. Price, \$2.00. New York: The Macmillan Company, 1904.

This book is a distinct contribution to the literature of scientific philanthropy. It marks a step in the development of that literature, for in it are brought to consciousness, perhaps for the first time fully, the underlying principles on which the charity organization society movement is based. Moreover, it undertakes to give a comprehensive statement of the elementary principles upon which all relief giving, whether public or private, should rest; and it correlates these principles with the general facts of economics and sociology in such a way as to leave no doubt in the mind of the reader that the author has mastered his subject. The point of view of the book is constructive throughout, as its author evidently intends; and it is safe to say that for many years to come it will be, both for the practical worker and for the scientific student, the authoritative work upon "the principles of relief."

The work is divided into four parts. Part I contains the discussion on the principles of relief. Part II is a digest of seventy-five illustrative cases. Part III gives a brief historical survey of the development of outdoor relief, both public and private, in England and America. Part IV discusses relief in disasters, beginning with the Chicago fire and ending with the "Slocum" disaster.

In Part I, after discussing the development of charity as an outcome of social progress, Dr. Devine undertakes to formulate the principle upon which charitable relief is to be given to dependent families, and from which the amount of relief required may be estimated. This he finds in "the standard of living." Families which fall below the normal standard of living are proper subjects of either disciplinary or charitable measures, as may be found appropriate. To put the matter concretely: "When the actual earning capacity of the family is below the point of physical or moral well being, the deficiency may ordinarily be made up by outside aid. Whenever possible, assistance should be of such a kind as to increase the earning capacity and so make further aid unnecessary. When the deficiency is, however, inevitable and permanent, the aid must be likewise permanent. This is the fundamental and comprehensive principle of relief." The social justification of such relief to those who fall below the normal standard of living lies partly in the fact



that industrial changes, from which the community as a whole profits, displace certain individuals, who suffer vicariously that society may gain. By wise relief measures society merely transfers to the community as a whole these burdens imposed upon individuals by industrial progress. Therefore, "a sound relief policy would seek out from among the families that become dependent as a result of such changes those who suffer most severely, and put them as nearly as possible in a position as eligible as that from which they were displaced."

In the remainder of this discussion Dr. Devine develops the idea that the standard of living affords the guiding principle in relief work, and shows how this principle applies in various phases of charitable work. After touching upon the elimination of disease, and the movement for tenement-house reform as illustrations of preventive and effective relief, he takes up the relief of the poor in their homes as the natural starting point of charitable activity, and considers the different methods of relief suitable to the various types of the family, from the single man or woman to the widow or deserted wife with children. This leads to a consideration of the questions involved in the breaking up of families, and in the care of dependent children and dependent adults. Finally, there is a discussion of four of the more important causes of dependency: family desertion, intemperance, industrial displacement and immigration.

It would seem ungracious to find any fault with such a well-done piece of work. I cannot help feeling, however, after careful reading, that the book shows too much the bias of the author's personal field of labor. Its point of view is too exclusively that of the charity organization society worker. It is but seldom that it takes the point of view of public charities. This neglect of the point of view of public charity is surely a mistake; for even though we grant the author's contention that public outdoor relief should be abolished (the case seems to be pretty well made out for large cities), public charity must always remain, on account of the preponderance of institutional relief belonging to it, more important than private charity. It is to be regretted, therefore, that Dr. Devine did not condense Part IV on "Relief in Disasters," to a single chapter, and give us in his conclusion a comparative survey of the different existing systems of state charity, pointing out, on the one hand, the principle upon which public relief should be based, and on the other, the line which should mark the division of labor between public and private charity.

CHARLES A. ELLWOOD.

*University of Missouri.*

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*The Principles of Economics.* By FRANK A. FETTER. Pp. 610. Price, \$2.00. New York: The Century Company, 1904.

Writers of economic text-books have evidently found considerable difficulty in placing before the student the results of recent theoretical analysis while retaining such parts of the older body of thought as have not been generally discarded. Conservatism has usually prevailed to such an extent

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that the main outlines of the classical text-books have been preserved, while new material has been inserted wherever it seems least out of place. The book under review represents a radical departure from this method. Instead of the usual grand divisions of the science it is divided into three parts: the Value of Material Things, the Value of Human Services and the Social Aspects of Value. In order to form an opinion on the practicability of such a division of the science, we naturally turn to the topics which have been placed under each head. Manifestly the simple problem of the valuation of consumers' goods, and the laws of rent and interest logically belong in the first part, where we find them. On the other hand, we discover with some surprise that profits, monopoly, trusts and crises are placed under the general head of the value of human services. The Social Aspects of Value as a grand division of economic science, is perplexing. Value itself, we are accustomed to think, is a social phenomenon. Its social aspects are its essence. Our perplexity is not diminished when we examine the topics treated. Division A, entitled "the relation of private income to social welfare," includes private property, personal distribution, the justification of income from property and income from personal services, luxury, the reaction of consumption on production. Division B, on "the relation of the state to industry," includes naturally enough the treatment of free competition *versus* state action, coinage, protective tariff, labor legislation, public ownership and public control of industry; but it includes also such topics as the theory of money, banking, the theory of international trade, the railroad problem, and a discussion of the future trend of values,—a grouping which does not appear to be wholly logical. A careful examination of the general plan of the work makes it sufficiently clear that the titles of the various parts and divisions are not intended to serve as logical categories, but are rather, as it were, the keynotes of the discussion. The protective tariff logically belongs to the division to which it is assigned. The theory of international trade is necessary to explain it and hence is placed in juxtaposition. The part played by government in the constitution of the medium of exchange is of such importance that the whole subject of money may best be treated in connection with the economic functions of government; and for convenience the theory of banking and credit is discussed in the same connection. After all, it is not supremely important that a text-book should follow a rigid logical plan. Not improbably the best immediate results in class-room work can be obtained from a text-book which selects as its point of departure whatever is most easily understood, adding material in order of difficulty, digressing when necessary for clearness or when a related topic may be conveniently treated. In the older text-books the effects of machinery were usually treated in connection with production. In this book it is treated in connection with wages. The older classification may have been more in accordance with logic; but Professor Fetter's plan is more likely to arouse the interest of the student.

Since the author's arrangement of material is so much of an innovation, perhaps the most convenient way of arriving at a just comparison between this work and others designed to meet the same end, is to rearrange in the old order the topics discussed and consider how adequately they are treated.

The discussion of consumption in its static aspects is excellent. Diminishing intensity of wants and its correlative, diminishing utility, are explained with great clearness. The law of substitution, while receiving no extended treatment, is given a good deal of attention incidentally. Luxury is handled much in the customary fashion, but with more than customary skill. The dynamics of consumption deserved perhaps fuller discussion. While the much neglected subject of the reaction of consumption on production receives highly suggestive treatment, the evolution of wants is somewhat slighted, with the result that one of the most important aspects of the monopoly problem is practically ignored.

Of the topics usually placed under Production, the geographic basis of economics receives rather slight attention,—an omission with a purpose, since the author does not wish to emphasize differences between land and other material agents of production. The conditions of the efficiency of labor are treated with unusual clearness. Division of labor and the organization of production wear their familiar aspects. Diminishing returns are shown to be a universal phenomenon. It would be difficult to praise too highly the brilliant discussion of this subject. A commendable innovation is a chapter on repair, depreciation and destruction of wealth. Capital is treated almost exclusively from the point of view of distribution.

In the presentation of the material formerly assigned to Exchange the author discusses money with unusual frankness. He is not one of those who regard the money controversy as definitely closed. The question of a better standard than the monometallic, he declares, is but postponed. He handles international trade with a boldness that is unfortunately becoming rare among American economists. As a keen foreign critic has observed, American economists can scarcely afford to be free traders, since by the advocacy of free trade they run the risk of impairing whatever popular influence they may have. Professor Fetter dares to be a free trader. That does not mean that he would regard as expedient an immediate return to free trade. His position is practically that we should return to free trade as rapidly as a just consideration for vested interests would permit. The discussion of banking and credit leaves a somewhat indefinite impression; and the theory of foreign exchanges is introduced too abruptly and is treated too concisely to be readily understood by the student.

As any one familiar with recent controversial literature would expect, the author's presentation of Distribution is in striking contrast with the usual plan. His theory of functional distribution is the now familiar one of productivity. Whatever a laborer produces is his wage; nor is the reservation made that this is the "natural" or "normal" wage. In the latter part of the work, however, we discover that wages as a personal share in distribution vary from "economic" wages. Unfortunately, there appears to be no systematic study of the causes and extent of this divergence. The rents of material agents are likewise determined by their productivity (the term rent being here applied to the specific contributions of all material agents). Interest is treated as the sum of rents regarded as a percentage of the capital sum arrived at through the familiar process of discount. It would be beyond the

province of a review of this nature to criticize the theoretical validity of the author's position. A legitimate question may, however, be raised as to the advisability, from a pedagogical point of view, of requiring of the student such subtle analysis as is here involved. It will be admitted that the student of marked capacity will profit by the discipline; the one of ordinary talents, in the reviewer's opinion, would be quite bewildered. A second innovation is the placing of profits under the same general category as wages. So far as profits consist of the reward of superior managing ability, the classification is manifestly sound. But what of the profits arising from unexpected changes in technique, and from other causes wholly beyond the control of the entrepreneur? The only similarity between such profits and wages is that neither income is normally capitalized. Monopoly profits are put under the general head of payment for human services. But such profits are normally capitalized; hence why should they not be included in rents, employing the latter term in the author's sense? And, of course, such a distinction would be difficult to accept. Finally, the author is at considerable pains to show that the distinction between land and capital was originally based upon the fact that the renting contract in the case of land was different from the renting contract in the case of perishable goods. Since this merely legal difference tends to disappear, he regards the distinction as obsolete. It may be questioned whether the original distinction has not been supplanted by other distinctions the significance of which has not disappeared. One of the most important practical problems is that of the incidence of taxation, and in treating that problem few would disregard the difference between land and reproducible productive agents.

It may seem ungracious in reviewing a work possessing so many excellent qualities to dwell upon a few inaccuracies and imperfect modes of expression that have escaped the author's revision. On page 13 we find the fear of temporal punishment termed "a non-material want." On page 36 the definition of market seems somewhat lame. On page 64 we have the expression "the point of marginal utility" where "margin of utilization" would have been much clearer. On pages 305-6 monopolies are classified as political, economic and commercial. Why the term "economic monopoly" should be applied exclusively to the single "ownership of scarce natural agents" is not clear. On page 362 the author lays down so narrow a definition of property that he is compelled to disregard it in the third sentence following. On page 293 it is asserted that the profit-sharing plan was first tried in Paris by Leclair. As a fact, it was tried eleven years earlier by John S. Vandeleur in Ireland. On page 446 the statement of the circumstances which led to the first formulation of Gresham's law is incorrect. The application of that law to the explanation of the difficulties inherent in bimetallism is of much later date.

Few teachers of economics, it appears to the reviewer, will be able to accept this book as completely satisfactory in all its details. This does not, however, imply an adverse criticism of the book as a whole. In the wealth of material treated, in the judicious employment of all methods of economic study, in the sanity and lucidity of discussion, the book has hardly an equal.



Moreover, it is the most readable book on economics that the reviewer has had the good fortune to peruse. Were he to recommend a text-book for a student who could not have the advantages of class-room discussion, Professor Fetter's book would be his first choice.

A. S. JOHNSON.

*Columbia University.*

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*The Declaration of Independence, an Interpretation and an Analysis.* By HERBERT FRIEDENWALD. Pp. 299. Price, \$2.00. New York: The Macmillan Company, 1904.

The Independence campaign has never been so carefully studied as in this valuable monograph, which is a fitting product of the author's long-continued and scholarly researches. In the chapter entitled "The Popular Uprising," the organization of the revolutionary forces is outlined and some very interesting facts noted. Of the twelve colonies sending delegates to the first Congress, but five acted through their assemblies, and three of these were in complete control of the revolutionists. All the rest had a revolutionary organization outside of the assembly. Committees, conventions and irregular bodies acted for the rebellious factions. When non-importation and non-exportation was resolved upon, the continental organization became necessary, and the Congress became the natural advance from the committee organization. In "The Congress Finding Itself" the author shows how the Congress grew from an impotent body with vague powers to one having practically complete control of the affairs of a people engaged in a war. He unfolds the phenomena of a politically organized body, deriving all its sanction from local political organs, and dependent on their good-will for existence—limited in its authority only by the reason and good sense of its constituents—gradually leading the colonies to new governmental organization and final independence. One constantly wishes that Mr. Friedenwald would say definitely what his story so conclusively proves—that the Revolution was the work of an active and vigorous minority, which first got control of Congress and then reached out until it drew with it the reluctant people. Instead, the author only hints at this in his thesis that the Congress relied on and fostered the democratic elements from which, in a large measure, it derived its power. Congress not only took heed not to get far ahead of the people, but kept a guiding hand upon the course of events. The conservative party tried to keep "the people" from getting control, for among "the multitude were to be found the radicals who before had enjoyed little share in political affairs." The various methods by which Congress coerced the conservatives are clearly shown, but we cannot agree with the interpretation put upon the acts of Congress suppressing the Loyalists, inviting foreign intervention and founding a navy. These were not necessarily "sovereign" acts, if we consider how and in what spirit they were done. However, there is room for a difference of opinion. A phrase quoted by the author—"the supreme superintending power"—better describes Congress than the word "sovereign." "The Idea of Independence takes Root and the Congress Prevails" is a very valuable chapter upon the work of



Congress in getting the independence idea before the people. Paine's "Common Sense" is represented as inspired by members of Congress, conceived with deliberation, and made to appear at the "psychological moment" calculated to make it a success. From that point on the gradual growth of the power of Congress is clearly drawn, but the character of the power is never defined. Though the author states that the enforcement of Congress' resolutions was left to assemblies, conventions and committees of safety, yet he seems not to see how this fact affects the interpretation of Congress' position in the American political system.

In the chapter entitled "The Congress and the Democracy," the methods used by the radicals to free themselves from the conservatives fortified behind the old franchise limitations are admirably sketched. How Congress took advantage of the actions of British government, and how it used the growing Continental army to strengthen the revolutionary organization, and how it perfected the system of revolutionary conventions and committees is a fascinating political study. We cannot see how Mr. Friedenwald justified the statement (p. 92) that Ellery, of Rhode Island, came to Congress with new instructions "permitting them (Rhode Island delegates) to vote for independence if joined by others." The delegates themselves were disappointed in not receiving definite instructions as to independence (see Staples, R. I. in the Cont. Cong.). Again, the statement (p. 96) as to Gwinnett and Hall's instructions needs modification to give the exact spirit of the instructions. The following chapter, "Independence in the Making," portrays in a scholarly way the last stages of the fight. Two slips should be noted: There is nothing in Delaware's instructions that warrants the statement (p. 110) that she swung "into line for independence on June 14th," and Governor Franklin was not "ordered" (p. 112), but *recommended* to be sent into Connecticut.

The succeeding chapters tell of the adopting and signing of the Declaration, criticise its critics, discuss its purpose and very ably explain its philosophy. The last two chapters consist of an examination of the historical accuracy of the charges made in the Declaration against the British king. These chapters represent an immense amount of careful research in the materials relating to the early stages of the Revolution. The book as a whole represents an amount of study that gives great credit to the author's conscientious scholarship. It will be greeted with real enthusiasm by all students of this ever-interesting theme.

C. H. VAN TYNE.

*University of Michigan.*

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*The American Colonies in the Seventeenth Century.* By HERBERT L. OSGOOD.  
2 vols. Pp. 1068. Price, \$5.00. New York: The Macmillan Company,  
1904.

Probably most students of American colonial history have been at times oppressed by the volume of material which they owe to the antiquarian zeal and local patriotism of individuals and public authorities in the older states of the Union. There is now available a great quantity of source-material,

edited with varying degrees of scientific accuracy. Many useful monographs have been constructed dealing with particular localities or particular phases of institutional life, but there still remained the need of an institutional history of the colonies which should be not only thorough, but comprehensive, in which the multiplicity of details should not prevent a clear statement of underlying principles.

This need Professor Osgood has undertaken to supply. All serious students of American history have been familiar for some time with his qualifications for the task. The expectations thus raised have not been disappointed.

The scope of the present work is limited by the definite selection of a single line of inquiry to which all other interests are subordinated. To use the words of the author, himself, he has made "an attempt" "to interpret early American history in the terms of public law." Thus we have primarily a study of the state with only such consideration of other interests as may be found necessary to illustrate the activity of the state. In some instances, the adoption of this principle leads to marked departures from conventional treatment. Thus the Plymouth Colony is treated first as an incident in the administrative history of the Council for New England; and, in a later chapter, following the description of Massachusetts, there is a brief account of its governmental organization. For the distinctively religious aspect of the Pilgrim Colony, the reader must look elsewhere. Again, almost the only reference to slavery in South Carolina is to be found in a description of the military system of that province. These examples are given only to show how closely the author adheres to his original definition of the field. On the other hand, whenever ecclesiastical and economic facts have a direct and obvious bearing upon political institutions, they receive a remarkably thorough and satisfactory treatment. This is illustrated by the admirable chapter on "Church and State in Massachusetts," the treatment of the corresponding subject in the proprietary provinces, and the chapters on the land systems of the various colonies. The two volumes now issued deal primarily with institutions as worked out in the individual colonies, leaving the development of a colonial policy by the home government, the institution of a system of imperial control, to be considered in a third volume. This results in a chronological limitation of the field, which varies in different colonies. Thus the history of Virginia closes with 1624, that of Massachusetts with 1684, while the study of proprietary government in the Carolinas is in some of its phases carried into the early years of the eighteenth century.

After a brief study of the sixteenth century charters of discovery, the author considers first the earlier form of proprietary government in which land and jurisdiction were conferred on a commercial corporation, governing from its place of business in England the colony which it had founded in America. This phase of colonization is illustrated by the experience of Virginia under the London Company and by the Council for New England. This method of planting colonies passed, without at first any conscious purpose on the part of the English Government, into what Professor Osgood calls the "corporate colony." The transition is seen in the history of Massachusetts

Bay, whose government originated in a charter similar to that of the Virginia Company, but was given a radically different direction by the emigration of the officers and active members of the corporation. The corporate privileges granted by the charters were thereafter exercised wholly by men who were themselves colonists, and who were in a position to work out their own ideals with almost complete freedom from external interference. Under this system the characteristic institutions of New England were developed along lines sharply divergent in many respects from the prevailing ideals and practices of the mother country.

Parallel with the development of the corporate colony in New England, there arose a new form of the proprietary province, based on the old world model of the palatinate, and becoming for a time the characteristic form of government in the middle and southern colonies. In opportunities for self-government the proprietary provinces were inferior to the corporate colonies of New England. Yet here also a wide field was opened for political experiment, first through the liberal theories of the proprietors themselves, best illustrated in the Quaker colonies of Pennsylvania and West Jersey, and partly also through the necessity of political concessions in order to attract and to hold settlers. Thus in a considerable measure the form of the proprietary province was modified by the incorporation of distinctively popular and American principles.

The author does not adhere rigidly to a uniform arrangement of topics for the different groups of colonies. Generally speaking, however, a description of the growth and organization of particular governments is followed by a discussion of the manner in which various governmental functions, such as judicial administration, finance and colonial defense, were performed in the general group to which the particular colonies belonged. These latter chapters will probably be recognized as especially important contributions to our stock of historical knowledge. The attention of the reader may also be particularly directed to the conservative but suggestive generalizations to be found in the introductory and concluding chapters. The practical efficiency of the book is greatly enhanced by a detailed table of contents and a careful analytic index.

Throughout these two volumes one sees evidence of the thorough use of a wide range of materials. Some monographs are judiciously used, but in the main, the work rests upon independent examination of the sources. One is struck not only with the range of material used, but still more with a certain intimacy which the author shows with his authorities. There is also a discriminating selection of essentials, which in the hands of a less experienced scholar might have been lost in a mass of undigested details.

There are doubtless many persons to whom the author's style will seem somewhat dry. The general reader will probably not find entertainment in these pages, and even the student may feel that the author's close adherence to governmental forms and functions has been, at times, too rigid. In the main, however, the difficulties of the book are of a kind almost inevitable from the nature of the topics chosen, and the serious reader will find it not only instructive, but full of interest. For the student of our institutional

beginnings, Professor Osgood has provided one of the few treatises which are really indispensable.

EVARTS B. GREENE.

*University of Illinois.*

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*The Anthracite Coal Communities.* By PETER ROBERTS. A Study of the Social, Educational and Moral Life of the Anthracite Regions. Pp. xii, 387. Price, \$3.50. New York: The Macmillan Company, 1904.

To all persons interested in the industrial and social life of the American people, and especially of those of foreign birth, Dr. Roberts has rendered a service in the production of this work. The present study of industrial and social conditions in the anthracite regions, shows evidence of a vast amount of research and of a large and broad experience on the part of the author. The difficulties in the way of an adequate description of the social, religious and industrial life of the many diverse peoples jumbled together in the anthracite regions, must be apparent to any one who has essayed the task. For the prosecution of this work, however, Dr. Roberts is peculiarly well equipped, having lived for the greater part of his life in this region and having by daily intercourse obtained a great body of information which he has made accessible in this book.

In view of the undoubted merits of the work before us, it is an ungrateful task to point out defects, however patent and obvious. Dr. Roberts has presented to us a large amount of information, covering every phase of the life of the native and foreign-born miner of eastern Pennsylvania, and the matter in the main is both true and original. His style of presentation, however, is bad. The work is diffuse, and is interlarded with much extraneous matter. The book also lacks a broad and basic philosophy, while it abounds in moral reflections which are somewhat obvious.

The book of Dr. Roberts is therefore valuable, not as a whole, but for its parts. If we disregard its conclusions and commentaries, there still remains a considerable fragment of the book, consisting of information and observations upon the industrial population of the anthracite regions. The author is thoroughly conversant with the statistical information previously available, and presents this matter in a clear and interesting manner. Of still greater value, however, are the individual observations of the author upon the character of the various races employed in and about the mines, their standard of living, their home life, the manner and extent of their education, the literature which they read, the religious and intellectual influences which bear upon them, their tendency toward drunkenness, their disposition to crime and pauperism, their tendency toward saving money, their attitude toward marriage, their relations toward the state and the various other elements which enter into the social, moral and industrial life of the people. In these observations of social phenomena, Dr. Roberts shows himself both acute and discerning, and his direct generalizations are always vivid, even where they are too broad to be entirely accurate.

It is impossible in the course of a short criticism to give the reader any



adequate conception of the contents of this book. Dr. Roberts divides the mining population into Anglo-Saxons (by which he means the English-speaking miners and the natives of Germany) and the Slavs (or, as he spells it, Sclavs), in which he includes all non-English-speaking peoples in the region, such as Poles, Austrians, Hungarians, Bohemians, Russians, Lithuanians, Greeks, Italians and many others. Dr. Roberts describes how the Slavs are taking the place of the English-speaking miners, how they are accumulating wealth and acquiring citizenship. In his chapter on the "Three Crises," he presents a detailed investigation of the statistics of births, deaths and marriages, showing a high death rate, and especially a high mortality for children among the non-English-speaking miners. The chapters on the standard of living, on the cost of lodging, clothes and food, also present a large amount of well-digested information; while in the following chapter Dr. Roberts makes a plea for a higher standard of living and for better housing facilities throughout the region. The book also contains chapters on the educational facilities, the intellectual and religious life, the temperance question, the facilities for saving, the criminal and dependent population and the political machinery of the region.

The book is well printed and contains a number of maps and photographs.

WALTER E. WEYL.

*University Settlement, New York.*

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*American History and its Geographic Conditions.* By ELLEN CHURCHILL SEMPLE. Pp. 465. Price, \$3.00, net. Boston and New York: Houghton, Mifflin & Company.

Miss Semple has endeavored to describe the geographic background of American history, to show how physical conditions have influenced the settlement of the United States and the development of our national life. The author has endeavored to combine physical geography, economic geography and history in the same volume. Having studied for some years under Professor Ratzel, and having written numerous papers on different phases of American geography, Miss Semple is well qualified to deal with her subject. In the book under consideration, the author evidences a good knowledge of American history. Her information regarding transportation and industry is less thorough.

The volume opens with the geography of the discovery and settlement of the Atlantic Coast section of the United States, and then points out the influences of the Appalachian Mountains upon our colonial history and upon the westward movement of population. The geographic factors affecting the settlement of the region west of the Allegheny Mountains and the forces that brought about the Louisiana Purchase are next considered. The spread of population in the Mississippi Valley, the routes over the Rocky Mountains to the Pacific and the occupation of the Far West are described; and an account is given of the geographic factors that were influential in the War of 1812 and the Civil War. Separate chapters are devoted to the geography of inland waterways, the distribution of railroads, the distribution of cities



and industries, and the distribution of immigration. The book closes with a discussion of the relation of the United States to the American Mediterranean and to the Pacific Ocean.

To cover such a large subject as this in one volume necessitated a very general treatment of the various topics considered. The book is for the general reader and not for the special student. Those who are specially interested in the geography of inland waterways and railroads, and in the distribution of immigration, and in the geography of American industries will regret that space did not permit the author to present these subjects in greater detail.

It is particularly to be regretted that the maps were not made a more prominent feature of the book, and it is to be hoped that future imprints of the volume may contain a greater number of maps. Being obliged to treat the subject in outline, it would have made the book far more instructive had each chapter been illustrated by one or more carefully prepared maps. In its present form the volume contains but sixteen maps and sketches, and several of these are of minor importance.

This review of Miss Semple's work is made somewhat critical, not because the reviewer considers Miss Semple's work to be in the least degree superficial, but because he feels there is great need for a better appreciation of the influences of the geographic factors upon the course of American history. We shall understand the political problems of American history and the development of our American life far more adequately when we know in detail the influences of physiographic forces. It is to be hoped that Miss Semple's excellent introduction to the relation of geography to American history may be followed by a more detailed and exhaustive treatment of the different topics discussed in "American History and its Geographic Conditions."

EMORY R. JOHNSON.

*University of Pennsylvania.*

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*Citizenship of the United States.* By FREDERICK VAN DYNE, Assistant Solicitor of the Department of State of the United States. Pp. xxvii, 385. Price, \$4.50. Rochester: The Lawyers' Co-operative Publishing Company, 1904.

Mr. Van Dyne is well qualified by his ten years' experience in dealing with the multiform legal questions relating to citizenship that have arisen in the Department of State for writing an authoritative work on this subject, and it is but fair to say that he has in a large measure succeeded. On the other hand, it must be said that his work is more of a compilation than a scientific treatise, and he has apparently felt some timidity in drawing conclusions and making generalizations. It is also a matter of regret that Mr. Van Dyne has limited his study to the legal aspects of the acquisition and loss of citizenship, leaving untouched other important phases of the subject, such, for example, as the rights and privileges of citizens under the Constitution. He has also restricted the scope of his work to federal citizenship,

leaving to others the subject of state citizenship in its various bearings. But on the law of federal citizenship Mr. Van Dyne has given us a convenient and authoritative work. He has collected and arranged under appropriate topics the law as gathered from the Constitution and the statutes, the decisions of the courts, the rulings of the Department of State, the instructions to diplomatic officers, some of which are still in manuscript, the opinions of the attorneys-general and the decisions of arbitration commissions. In the collection and arrangement of his material there is little to criticise. In treating of citizenship by birth in the United States, Mr. Van Dyne points out that the existence side by side of two conflicting doctrines, the *jus soli* and the *jus sanguinis*, has been a source of much confusion in determining citizenship, but he does not discuss with sufficient fullness the distinction between the two theories, nor does he indicate how the confusion to which he refers has arisen. It is hardly correct to say, as he does on page 7, that the definitions of citizenship contained in the Civil Rights Act of 1866 and in the Fourteenth Amendment are "practically identical." A reasonable interpretation of the language used in the Civil Rights Act would exclude from citizenship children born in the United States of parents who are citizens or subjects of foreign countries, while the court has interpreted otherwise that used in the Fourteenth Amendment. Had the language used in the former been retained in the latter the decision of the Supreme Court in the Wong Kim Ark case, that children born of Chinese subjects in the United States are citizens, could hardly have been possible. Mr. Justice Miller's much criticised dictum in the Slaughter House cases, that children born in the United States of parents who are subjects of foreign powers are excluded from citizenship, would have been a sound interpretation had the language of the Fourteenth Amendment been that of the Civil Rights Act, but there was an important difference, and Justice Miller's interpretation was rejected by the court in later decisions. In discussing the definition of citizenship contained in the Fourteenth Amendment, Mr. Van Dyne neglects to point out that the definition does not embrace all possible cases, such, for example, as those of children born abroad to American parents and alien women married to citizens of the United States, nor does he indicate who are excluded by the phrase "subject to the jurisdiction thereof."

In treating of the acquisition of citizenship by naturalization, Mr. Van Dyne apparently has no feeling of criticism for the inconsistency, not to say injustice, of our naturalization laws. It is difficult to see any good cause why Africans and Indians (Act of 1890) should be permitted to acquire American citizenship through naturalization, while Chinese, Japanese and other intelligent peoples are denied the privilege, especially in view of the fact that under the Wong Kim Ark decision they do become citizens by birth in the United States. It seems to the reviewer that Mr. Van Dyne has overestimated the importance of the decision of the Supreme Court in the Insular cases so far as its bearing upon citizenship is concerned. In his discussion of naturalization by treaty, he devotes over sixty pages or nearly one-fifth of his entire text to quotations from the opinions in the case of *Downes vs. Bidwell*, notwithstanding the fact that these opinions deal only indirectly with

citizenship and even then only as *obiter dictum*. His discussion of the citizenship of Porto Ricans and Filipinos will now have to be revised on account of the recent decision of the Supreme Court in the case of *Gonzales vs. Williams*, that Porto Ricans are not aliens to the United States. In this case the Supreme Court refused to pass upon the question whether the plaintiff, not being an alien, was necessarily a citizen, as that question was not directly before the court. It is probable that the court will be called upon at an early day to settle this question definitely, and until then it is necessary to admit, however unpleasant it may be, that Porto Ricans and Filipinos who owe allegiance to the American flag are neither aliens nor citizens (*staatsbürger*), but subjects (*staatsangehörige*).

JAMES WILFORD GARNER.

*University of Illinois.*

## NOTES ON MUNICIPAL GOVERNMENT

# Educational Organization and Progress in American Cities

A Symposium on Present Educational Conditions and Needs

**New York.**—FREDERICK S. HALL, Assistant Secretary, City Club, New York City.

**Chicago.**—HUGO S. GROSSER, City Statistician, Chicago, Ill.

**Philadelphia.**—MISS DORA KEEN, Secretary Public Education Association of Philadelphia.

**Boston.**—THORNTON B. APOLLONIO, Secretary Boston School Committee.

**Baltimore.**—HUGH S. HANNA, Johns Hopkins University, Baltimore, Md.

**Cleveland.**—F. E. STEVENS, Secretary Municipal Association of Cleveland.

**Buffalo.**—PROFESSOR A. C. RICHARDSON, Buffalo, N. Y.

**Cincinnati.**—MAX B. MAY, Cincinnati, O.

**Pittsburg.**—EDWIN Z. SMITH, Pittsburg, Pa.

**New Orleans.**—JAMES J. McLOUGHLIN, New Orleans, La.

**Milwaukee.**—JOHN A. BUTLER, Milwaukee, Wis.

**Washington, D. C.**—GEORGE S. WILSON, Secretary of Board of Charities, Washington, D. C.

**Providence.**—SIDNEY A. SHERMAN, Ph. D., Providence, R. I.

**Kansas City.**—HENRY L. McCUNE, Kansas City, Mo.

**Grand Rapids.**—DELOS F. WILCOX, Grand Rapids, Mich.

**Seattle.**—PROFESSOR J. ALLEN SMITH, Seattle, Wash.

**Duluth.**—W. G. JOERNS, Duluth, Minn.

## INTRODUCTION

### DIGEST OF SCHOOL LAWS<sup>1</sup>

#### I. EXECUTIVE ORGANIZATION.

1. *Baltimore.*—Board of School Commissioners, six members; appointed by Governor for six years; no compensation.
2. *Boston.*—School Committee, twenty-four members; elected for three years; no compensation.
3. *Cleveland.*—Board of Education, seven members; forming a council with a director as the executive, elected for two years; compensation: council, each, \$260 annually; director, \$5,000 annually.

<sup>1</sup> Compiled by Miss Francis A. Keay. Arranged by Miss Dora Keen for the Committee on Reorganization of the School System of the Public Education Association of Philadelphia.

4. *Indianapolis*.—Board of School Commissioners, five members; elected for four years; no compensation.
5. *Minneapolis*.—Board of Education, seven members; elected for three years.
6. *New York*.—Board of Education, forty-six members; appointed by the Mayor for five years; no compensation. Local boards of five for each borough, with a district superintendent and a member of the Board of Education assigned to each. Appointed for five years by borough president, who serves *ex-officio*.
7. *Rochester*.—Board of Education, five members; elected for four years; compensation, \$1,200.
8. *St. Louis*.—Board of Education, twelve members; elected for six years; no compensation.

## II. EXECUTIVE DUTIES.

### (a) *Instruction.*

1. *Baltimore*.—A superintendent; appointed by board; supervises study and determines new methods; examines teachers and nominates them to board; teachers chosen from lists, graded by competitive examinations.
2. *Boston*.—A superintendent and a Board of Supervisors; elected by the School Committee for two years; superintendent shall employ teachers, in consultation with his Board of Supervisors.
3. *Cleveland*.—A superintendent; appointed by the school director, during good behavior; shall employ and discharge teachers.
4. *Indianapolis*.—A superintendent; elected by the Board of Education for one year, re-election for four years. "Superintendent shall have sole power to appoint and discharge all assistants, principals, supervisors and teachers," subject to disapproval by four-fifths vote of board. Board shall adopt rules for obtaining, by open competition, and without regard to religious or political beliefs, eligible lists from which all teachers and all other employees, except the superintendent, shall be selected with regard exclusively to fitness.
5. *Minneapolis*.—A superintendent; appointed by board for three years; teachers selected by examinations.
6. *New York*.—A superintendent, associates, district superintendents and a Board of Examiners; superintendent appointed by Board of Education for six years.
7. *Rochester*.—Superintendent; appointed by board for four years; teachers selected by competitive examinations.
8. *St. Louis*.—A superintendent; appointed by board for four years; shall have supervision of study and appointment of teachers subject to approval of board.

### (b) *Business Management.*

1. *Baltimore*.—(1) Committee of board purchases sites and erects buildings; (2) supervisor of school buildings, holding office at pleasure of board, nominates janitors and firemen to board, purchases fuel, apparatus and



furniture, supervises alterations, repairs, cleanliness, plumbing, heating and ventilation.

2. *Boston*.—(1) Board of Examiners selects sites and provides accommodations; appointed by Mayor; (2) care of buildings by School Hours' Committee; appointed by School Committee; (3) Committee on Supplies; appointed by School Committee; (4) school house custodian; appointed by School Committee.
3. *Cleveland*.—(1) School director contracts for erection and repairs; (2) a superintendent of buildings; an architect approves estimates and controls workmen.
4. *Indianapolis*.—Business director; appointed by board for one year.
5. *Minneapolis*.—Committees of board: (1) Finance; (2) Buildings and Repairs; (3) Teachers, Janitors and Salaries; (4) Fuel and supplies.
6. *New York*.—(1) Superintendent of school buildings; appointed by the board for six years; (2) also superintendent of school supplies.
7. *Rochester*.—Directly by the board.
8. *St. Louis*.—Commissioner of school buildings; appointed by the board to have entire charge of buildings.

### III. FINANCE.

1. *Baltimore*.—Proportion of state tax; city tax, 10 cents on every \$100.
2. *Boston*.—34 cents on every \$100; 4 cents for new construction; 2½ cents for repairs.
3. *Cleveland*.—Expenditures made as with an appropriation in Congress; approval of Board of Tax Commissioners required.
4. *Indianapolis*.—5 cents on every \$100 for ground and new buildings; 11 cents on every \$100 for maintenance.
5. *Minneapolis*.—40 cents on every \$100.
6. *New York*.—Budget presented to Board of Estimate and Apportionment.
7. *Rochester*.—Minimum tax of \$25 per pupil; levied by Common Council on recommendation of board; any larger appropriation at discretion of Common Council.
8. *St. Louis*.—Board of Education levies and collects such school taxes as are authorized by statute law.

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### NEW YORK CITY

By FREDERICK S. HALL, Assistant Secretary, City Club, New York City.

On February 20, 1905, New York City will celebrate the centennial of the organization of its public school system. Previous to this there will be published a history of the public schools of the city, which Secretary Palmer of the Department of Education has had in preparation since last June. This history will make a book of nearly four hundred pages, and will give information which it is very difficult to obtain at present.

In this connection a summary of the organization of this important department in New York City may be of interest.

1. *Executive Authority.*—This is vested in a board of forty-six members, appointed by the Mayor of the city, serving for five years. The terms of office of the various members are so arranged that a certain number retire each year, their places being filled by new appointees.

2. *Relation of the Board of Education to the Board of Aldermen and the Mayor.*—The Board of Education is dependent upon the Mayor as above indicated, and upon the Aldermen and Board of Estimate and Apportionment only in so far as additional appropriations are needed above the appropriation which must be given to the Board of Education, according to the terms of the charter.

3. *Financial Powers of the Board of Education.*—The Board of Education has complete power to administer all monies appropriated by the Board of Estimate and Apportionment. This board is obliged to appropriate each year not less than four mills on each dollar of the assessed valuation of the real and personal estate of the city. The board, for the purposes of the charter creating it, has all the powers of a corporation. It may sell such of its personal property as it no longer needs, and when such payments have been made to the treasurer of the city they must immediately be paid back into the School Fund. The board has full powers to lease property and enter into contracts for supplies, etc., limited only by its appropriation.

4. *Powers of the Board of Education in Determining the Number of Schools.*—These are complete within the appropriations granted by the Board of Estimate and Apportionment.

5. *Powers of the Board of Education with Reference to the Curriculum.*—The board has power to adopt and alter courses of study. In the exercise of this power, however, the board can act only upon the recommendation of the Board of Superintendents, composed of the city superintendent and his eight associates. The theory under which the educational system of this city is given its powers under the charter, is that the business phases of the work of the department should be cared for by the Board of Education and the various business bureaus responsible directly to it; such as the Bureau of School Buildings and the Bureau of Supplies; while the distinctively educational problems should be under the immediate supervision of the Board of Superintendents. Each member of this latter board has a seat and a voice in the Board of Education, but no vote, and is appointed for six years by the Board of Education. The Board of Education adopts text-books to be used in the schools, but only on the recommendation of the Board of Superintendents.

6. *Powers with Reference to the Appointment of Teachers.*—The Board of Education appoints all members of the teaching staff from an eligible list provided by a special Board of Examiners, but only on the recommendation of the Board of Superintendents, which board is obliged to choose one from the first three names on the appropriate list. The Board of Education is at liberty only to approve or reject a name.

7. *Local School Boards.*—In each of the forty-six school districts there

is a local school board of seven members, including one member of the Board of Education, appointed by that board, the district superintendent in charge of the district and five other persons named by the president of the borough. This board must hold monthly meetings, except in July and August, must make quarterly visits to all schools and may make recommendations to the Board of Education on practically any subject for the improvement or the extension of the schools within their jurisdiction. These local boards may also try charges against teachers and principals, but the penalties inflicted must be approved by the Board of Superintendents. They may also transfer teachers with the approval of this board.

8. *Adequacy of School Accommodations.*—This subject has commanded more attention recently than any other in connection with the public schools, being one of the principal issues raised during the last municipal campaign in 1903. According to the most recent figures given out by the Department of Education, February, 1904, there were at that time nearly 75,000 children attending school but "part time" (a little less than full time), because of the inadequacy of the existing school buildings to accommodate all of the children at the same time. Schools in which "part time" classes are held have two separate sets of scholars succeeding each other.

9. *Recent Improvements.*—The most recent improvements in the administration of the department relate to the extension of the department work in the line of evening recreation centres, vacation schools, summer roof garden concerts, etc.; the formation of ungraded classes for backward or defective children, and the more systematic enforcement of the compulsory education law (amended to make it more enforceable in the spring of 1903) in connection with the child labor laws of the state.

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## CHICAGO

By HUGO S. GROSSER, City Statistician, Chicago, Ill.

The educational system of the city of Chicago is, by statutory enactment, under the control and management of a "Board of Education." This consists of twenty-one members appointed by the Mayor, "by and with the advice and consent of the Common Council," for a term of three years.

Although a *quasi* corporation created by the general law of the state, the Board of Education is nevertheless dependent, in several important matters, upon the City Council, and to that extent, at least, a part of the municipal government of the city. Three of the powers given it by the law are under the distinct condition of the concurrence of the City Council. These are:

1. The power to erect or purchase buildings suitable for school houses and to keep the same in repair.
2. The power to buy or lease sites for school houses, with the necessary grounds, and to acquire such lands, if necessary, by condemnation proceedings, which must be brought in the name of the city in trust for the use of the schools.

3. The power to issue bonds for the purpose of building, furnishing and repairing school houses, for purchasing sites for the same and to provide for the payment of such bonds; to borrow money for school purposes upon the credit of the city.

The board also acts in conjunction with the council in regard to the tax levy for school purposes, although the council's part herein is merely perfunctory. The board certifies annually to the council the amount of money required to be raised by taxation for school purposes, and the City Council, in the language of the law, "shall thereupon cause the said amount to be levied and collected." All moneys raised by taxation, or received from any other source for school purposes, are held by the city treasurer as a special fund for school purposes, subject to the order of the Board of Education, upon warrants to be countersigned by the Mayor and City Comptroller. The title of all real estate for school purposes rests in the city in trust for the use of the schools, and no sale of such real estate shall be made except by the City Council upon the written request of the Board of Education. It is further made a duty of the board to report, from time to time, to the City Council any suggestions they may deem expedient or requisite in relation to the schools and the school fund, or the management thereof, and generally to recommend the establishment of new schools and districts, and also to communicate to the council such information within their possessions as may be required. On all other matters the Board of Education acts absolutely independently, and a special section of the school law provides that no power given to the board shall be exercised by the City Council. These powers relate mostly to the furnishing and maintenance of school houses, the employment of teachers and the management of schools generally. The board may hire buildings or rooms for the use of schools, divide the city into school districts, create new ones when required, lease school property and loan moneys belonging to the school fund. It is the duty of the board to prescribe what studies shall be taught, what books and apparatus shall be used, and to prescribe the method and course of discipline and instruction.

The board has full power to employ teachers, fix the amount of their compensation and to dismiss and remove any teacher whenever deemed advisable. The present law requires the election of teachers from year to year, but at the annual election in June, 1902, all teachers were formally elected with the understanding that their positions should be permanent during efficiency and good behavior. The superintendent of schools is given the initiative in the appointment, promotion and transfer of teachers. The teachers are chosen from a list of candidates arranged in the order of efficiency. This list consists of: 1. Former teachers in the city schools who hold valid certificates; 2. Graduates of the normal school who have completed their cadetship satisfactorily; 3. Experienced teachers from outside the city who hold valid certificates and have completed four months' satisfactory substituting. This system is as yet sustained only by the rules of the board. A bill designed to give permanence to these and other rules was presented to the last legislature, but through misunderstanding and misrepresentation was defeated. A similar bill will again be submitted to the next legislature, which convenes in January, 1905.

*School Accommodation.*—The city of Chicago, like every other fast-growing city, suffers much from the lack of adequate school accommodations. The school census taken in June, 1904, enumerates a total of 534,175 persons of the ages of four years and over and under twenty-one. There are 68,723 children between the ages of four and six, of which number 8,761 attend public schools, 3,909 other schools and 56,053 no schools. Of the 303,350 children between the ages of six and fifteen, 220,983 attend public schools, 58,805 other schools and 23,562 no schools. Of the latter, 12,000 have a permit to work. Of the 162,102 persons between the ages of fifteen and twenty-one, 162,102 attend no school, 16,189 attend public schools and 8,993 other schools. The total number of children attending the public schools is 245,933, while 71,107 attend other schools and 216,535 no schools. The total enrollment of pupils in the public schools for the month of September, 1904, was 251,067. The total number of school-rooms was 4,969, including 129 rooms in rented buildings, which accommodate 5,345 pupils. There are not less than 11,266 pupils who can attend school for a half day only. The city owns at present 262 school buildings and 94 branch schools, while 12 school buildings are in course of erection. During the school year ending June 30, 1904, the sum of \$1,355,381.42 was expended on account of contracts for erection of new buildings and \$1,650,379.27 during the year 1903. Very recently the board authorized the erection of 26 portable school buildings, at a cost of \$2,000 each. These, it is presumed, will at least temporarily provide adequate accommodations for the pupils now in half-day divisions. The board, together with the council, is making every effort to provide for sufficient school room and the day of inadequate school accommodations, it is hoped, will soon be over.

The Board of Education is not only endeavoring to furnish sufficient accommodation, but it is also bending every effort to improve the service in all directions. The disappearance of all political "pull" from the school system has greatly helped matters. The board itself is composed of the very best material that can be found, its members being appointed by the Mayor, with absolute disregard of their political allegiance. All employees of the board, except the teaching force, are appointed under the civil service provisions, and the teachers themselves since last year are appointed under a merit system, as already stated. The adoption of the rule governing the appointment of teachers, and the strict adherence to it by the board, has made impossible any improper influence that formerly may have been brought to bear to interfere with the selection of teachers, and the superintendent has been practically unhampered in the execution of his plans for a better school system. The board has also adopted a uniform and impartial method of making transfers of teachers. A new system of promotional examinations and increased salaries to those that are promoted to some higher group furnish to the teacher a constant incentive to greater efficiency in the work to be done. Formerly mere length of service entitled one to increased salaries; to-day efficiency is the measure applied. For years there has been systematic voluntary effort on the part of the teachers to equip themselves with the most modern ideas in their work; they formed private classes at their own expense to pursue their studies, and in private gatherings or meet-



ings of their associations tried to raise the standard of their profession. Since October, 1902, the Board of Education furnishes the teachers the opportunity to carry on such work under the direction of instructors at the expense of the board. This "normal school extension work," as it is called, is taken up by many teachers, and has proved exceedingly successful. School principals state that the whole spirit of their schools has been transformed by this work, and note a great change and improvement in the work of individual teachers resulting therefrom. A year ago there were 83 classes, with a maximum enrollment of 2,975 teachers; to-day there are 157 classes, with an enrollment of 4,743. The total number of teachers employed by the city is 5,654. The subjects included in this extension work are: Education, psychology, mathematics, science, geography, history and civics, English literature, German, French, art, music, physical training, manual training, cooking and sewing.

A new course of study introduced this year, the result of a year's study and discussion on the part of the superintendent, the district superintendents, the principals' association and special teachers, will no doubt also tend to further improve the efficiency of Chicago's school system.

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#### PHILADELPHIA

By MISS DORA KEEN, Secretary Public Education Association of Philadelphia.

I. *Progress.*—The public school exhibit of Philadelphia has been awarded honors at the Louisiana Purchase Exposition, and the inference has naturally been drawn that Philadelphia may congratulate herself on the excellence of her public schools. It is true that great progress has been made within the last twenty-five years, and that even within a year the advance made has been appreciable.

The appropriations to the schools have been increased, and the discrepancies between the amounts asked and the amounts received have decreased. Teachers' salaries have been slightly raised. School accommodations have been largely augmented. The revised compulsory education law of 1901 has been of great benefit, and although not yet fully enforced is constantly gaining respect and obedience to its provisions. Enforcement of school attendance for all children has led to recognition of the special needs of some, and in consequence ten special schools for truant and incorrigible children and six separate classes for backward children have been opened, all since 1898.

Attention has been drawn to the health conditions of school children, and both improved handling and medical supervision have resulted, with consequent improvement in health and in school attendance. Physical training has become a daily exercise. Fifty physicians are daily excluding from the four hundred schools contagious and other cases serious enough to warrant it, and soon it is expected that school nurses will be appointed to see that children receive the attention needed and are absent from school for as short a time as possible.

The high schools have made progress, in that two evening high schools have been opened, one for each sex; in that high school graduates pursuing higher studies have made excellent records at entrance to college and have sustained them; lastly, in that a progressive policy has practically been adopted of establishing additional high schools in various districts of the city, and providing in them for both sexes and for three types of courses: general, industrial and commercial.

In the way of industrial education, Philadelphia led with her two manual training high schools. In elementary grades there has for some time been cooking and sewing for girls, sloyd and other elementary manual training in one school in the foreign quarter and for all of the truant and incorrigible and the backward children. Two school gardens were opened last summer, in addition to the annually increasing number of vacation schools and playgrounds for children of various ages.

Kindergartens and scholarships have made free education available from four years old through college and professional schools. The latest advance is the formation of a teachers' association, which has addressed itself to the improvement of the system, and has in consequence been invited to a conference by the association of the forty-two sectional school boards, whose main function is the election of teachers.

II. *Unsatisfactory Conditions.*—The bare mention of what is yet lacking in the schools, on the other hand, will show urgent need for still further progress. Whatever can be said of satisfactory conditions, unsatisfactory conditions prevail in many serious respects.

New school houses do not go up as fast as new homes, so that spasmodic expenditures have to be made every few years, when public opinion demands that school accommodations catch up with the regularly increasing school population. Overcrowding is a chronic condition in the schools of the foreign or southeast part of the city. Some of the overcrowded schools could send surplus children to vacant sittings close at hand, but ward lines prevent. Nor can old schools not in good repair, ill adapted rented buildings, and children attending on part time or with numbers often above sixty, sometimes one hundred and twelve, in a room, be looked upon as fair conditions under which to expect teachers to give what is to many children their only training for life.

Supplies are late in reaching the schools and insufficient. The relation of the Board of Public Education to Councils is one of constant friction, bordering on mutual distrust. Salaries of teachers are low, in spite of recent increases; hence there is a dearth of teachers. One hundred and twenty substitutes are needed daily; only sixty are available. The number of pupils wishing to attend high schools makes it regrettable that the four district high schools needed cannot be built and equipped at once. Children are obliged to play in the streets outside of closed school yards for lack of janitors to keep the yards open all day and yet under supervision. School gardens are needed in every part of the city. Progress in the education of backward children is stationary for lack of means to open new classes and thus permit grading. Manual training should be a regular part of the grammar grade course.

And for all of the above facts lack of money is responsible.

Deplorable as is this recital of want, money is not the only lack, the system is also unsatisfactory: (1) in that the legislative authority is sectional in its constitution, and therefore not always able to legislate for the best good of the city as a whole; (2) in that the executive authority is vested in committees, whose decisions are subject to modification or limitation by Councils, as, for instance, in the division of the money and by the forty-two sectional boards, as in the placing of both teachers and pupils. Moreover, committees of the board, however self-sacrificing, cannot be expected to produce the same results as highly salaried experts could give. (3) The system is also unsatisfactory in that not only the legislative and the executive powers of the Board of Public Education are insufficient, but also its financial powers. The board cannot predict nor even itself divide its income. (4) The constitution of the sectional boards is unsatisfactory alike to Councils, who are subject to their influence independent of the solicitations of the general board, to the sectional school directors themselves, who are impatient of their lack of voice in the real control, and to the Board of Public Education, which finds its would-be actions constantly limited by the very existence of these boards. In consequence of this unwieldy school organization, teachers are elected on no uniform plan, and appointments are subject to much influence other than that of the superintendent of schools. Lastly, the enforcement of the compulsory education suffers for lack of a state parental school with an alternate boarding-out plan, and for lack of up-to-date child labor legislation.

III. CONCLUSIONS.—In so far as the school conditions in Philadelphia to-day are satisfactory, the outside influence of public opinion has been to a considerable extent responsible. In so far as conditions are unsatisfactory, the fault lies in the impossibility of fixing responsibility. This in turn is due to the size and sectional composition of the Board of Public Education; to its method of executing its plans through committees of the board, instead of through salaried superintendents (of instruction, buildings, supplies and finances), and even more to the board's lack of unhampered authority. To follow up the links in the chain of excuses for our schools, the inability to fix responsibility and the lack of employment of expert knowledge in expenditures are the causes of whatever distrust exists between Councils and the Board. Finally, to this distrust is chiefly due the curb ever exercised by Councils over the apportionment of money to the schools.

IV. *The Remedy*.—The clear need of the Philadelphia schools is, therefore, a change of system, such as to permit of:

1. Centralized authority in the Board of Public Education, whose responsibilities will then be definite.

2. Certainty as to the amount and sufficiency of the income of the board, whose money would probably be given not only unitemized, in a lump sum, but very freely, were it possible to make the board absolutely responsible.

3. Execution of all policies and general decisions by expert employees, in order to impart efficiency and confidence.

V. *Method of Carrying Remedy into Effect*.—The effect of the above suggestions would, of course, be a new school system, which would best be

constituted upon the lines laid down by President Charles W. Eliot as "A Good Urban School Organization":

1. A board (of seven), chosen at large, one each year, for long (seven year) terms, either appointed by the Mayor or elected. Function: to determine policies and make important decisions.

2. Four experts empowered with all executive work: A superintendent of instruction; a superintendent of buildings; a superintendent of supplies; a superintendent of finances.

3. A definite proportion of the taxes on the total assessed valuation of the city; if the Board of Public Education be appointive, the same to be assigned in bulk, by the law, to the board. Independent powers of taxation, if the board be elective.

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### BOSTON

By THORNTON D. APOLLONIO, Secretary Boston School Committee.

The public schools of the city of Boston are under the supervision and control of a School Committee consisting of twenty-four members, eight of whom are elected at large at the municipal election each year for three-year terms and serve without compensation. Both men and women are eligible for service.

The School Committee elects a Superintendent, a Board of Supervisors, consisting of six members, and all principals and other instructors, as well as janitors and engineers employed in the public schools, and may remove them at pleasure. It fixes the compensation of all its employees, and has full authority with reference to the curriculum. It is not responsible for its acts to the Mayor or either branch of the City Council, excepting that all its votes involving the expenditure of money must be submitted to the Mayor for his approval.

The School Committee each year may make an appropriation in one sum for constructing and furnishing new school buildings, including the taking of land therefor and for school yards, and the preparing of school yards for use, and may also make an appropriation in one sum for repairs and alterations of school buildings, and may make such other appropriations by items for the support of the public schools as it deems necessary. The total amount to be used in any one year for the public schools of the city and their support, in addition to the money which may be given therefor, the income collected, the balance of appropriations of years preceding such year, shall not exceed an amount equal to three dollars and forty cents, upon each one thousand dollars of the valuation on which the appropriations of the City Council are based; and the amount which may so be raised shall be appropriated by the School Committee as aforesaid, and shall be a part of and be met by taxes within the tax limit; and of said amount of three dollars and forty cents not less than forty cents upon every such one thousand dollars shall be appropriated solely for new school buildings, lands, yards and furnishings as aforesaid, and not less than twenty-five cents upon every such

one thousand dollars shall be appropriated solely for repairs and alterations of school buildings.

The obtaining of sites and the construction of new school buildings, the repair and maintenance of old buildings, and the providing of temporary accommodations are under the control of a Board of Schoolhouse Commissioners consisting of three members appointed by the Mayor, and not subject to confirmation by either branch of the City Council. The members of this board receive a salary of \$3,500 per annum, the chairman \$4,000. Although the School Committee has authority to appropriate, subject to the approval of the Mayor, an amount not exceeding forty cents of each \$1,000 of the average valuation of the city for new school accommodations, it has not yet exercised this authority, but the expenses of sites and new buildings have been met from loans authorized by the legislature and issued by the city of Boston.

There are practically no children excluded from school on account of the lack of accommodations, although a considerable number are housed in rented buildings, and halls and other apartments of school buildings not intended for class-room purposes.

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#### BALTIMORE

By HUGH S. HANNA, Johns Hopkins University, Baltimore, Md.

Of the many excellent changes introduced into the government of the city by the new charter of 1898, none has been more productive of good or more promising for the future than the radical change made in the administration of the public schools. New life, new ideas, were injected into a department, which, under the evils of a spoils administration, had long remained in a condition of inertia and inefficiency, despite sporadic attempts at reform. The six years since elapsing have been insufficient to test thoroughly the adequacy of the new program, but, aside from any actual improvements, there has been such a popular awakening to the possibilities of the new methods of education, there has been set such an entirely new tone and standard, as will prevent, at least for years, a backward movement.

The new charter places the complete direction of the Department of Education in the hands of an unsalaried board of nine school commissioners. Their appointment is made by the Mayor, with the confirmation of the higher branch of the City Council, for a period of six years, three retiring every two years, and like other city appointees they are irremovable after six months, except upon definite charges preferred and after due trial. The charter directs minority representation upon all other city commissions, but in the selection of the School Board it is expressly declared that "party ties shall not be regarded." Such a provision has, of course, little importance, other than a certain moral weight; but its object was secured by the then Mayor, whose excellent appointments set a standard which public opinion will cause to be respected. For the immediate supervision of the schools the board appoints a superintendent of public instruction, with six or more assistants. It is their



duty to attend to all routine matters of administration, to make suggestions as to the course of studies and general government and to carry out the directions of the board. An effort is made towards securing local interest in and oversight of the public schools by the appointment of one or more unpaid visitors for each school chosen from the residents of the neighborhood. They are directed to visit periodically their assigned schools and to report upon their condition, with any recommendations or complaints made to them by the parents or residents of the district.

The staff of the high schools and technical schools is appointed directly by the board, but in selecting teachers for the other schools it is authorized to act only upon recommendations made to it by the superintendent. He, with his assistants, lists all candidates for the position of teacher according to their relative merit, as shown by competitive examinations. From these graded lists the board must confirm or reject the candidates in the order in which the names appear.

The board has practically no original financial powers. It submits annually an estimate of the probable expenditures for the coming year to the City Board of Estimates, who, after passing upon such estimate, send it to the council for final action. The council may reduce, but cannot increase, the amounts fixed by the Board of Estimates. In the expenditure of the sum granted the School Board has some little discretion. It may fix the salaries of the teachers and other employees, provided the aggregate appropriation is not exceeded. Also, whenever the construction of new school houses or the reconstruction of old ones is authorized, the building inspector must regard the instructions of the board in drawing up his plans, and no plans can be finally adopted without its approval. All supplies for the schools, such as text-books, stationery and furniture, are purchased by the board only after proposals have been publicly offered for competitive bidding.

The school accommodation is not adequate; no applicants are actually turned away, but it is necessary to reduce the school hours in certain cases in order to permit of accommodating two sets of pupils. This, however, is limited to the lowest grades, where it is probably an actual benefit to have the study time of very young pupils reduced. The annual increase in school attendance averages about fifteen hundred, which calls for three new twenty-room school houses every two years. It is always difficult to convince the taxpayer and the council of the necessity of this continuous increase, and it is almost inevitable, in a growing city, that the school accommodation should lag behind the increase in population.

The most important changes introduced by the new administration have been: (1) The institution of the "group" system in the organization of the schools, thereby placing responsibility upon the shoulders of a few; (2) The use of the "grading" principle in the class-rooms, thus doing away with the old hide-bound rule of one year to one class; (3) The progressive raising of salaries, so far as possible with the appropriations made; (4) The founding of a training school for teachers, intended primarily for the instruction of present and prospective teachers in the art of pedagogy. This attempt to raise the general ability of the staff has been supplemented by the establish-

ment of special courses for teachers at the Johns Hopkins University. These courses cover both the literary and scientific field, are very comprehensive in scope, and are followed by a very large proportion of local teachers.

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#### CLEVELAND

By F. E. STEVENS, Secretary Municipal Association of Cleveland.

The form of government for the public schools of Cleveland was materially changed at the last session of the General Assembly of the State. For more than twelve years the schools have been governed by the provisions of a law known as the "Federal Plan," which contemplated a centralization of authority and responsibility, with complete separation of the executive and strictly educational departments. This form of administration gave general satisfaction and resulted in a management of school affairs divorced from political control or influence.

The new code is now partially operative and will become entirely so on the 1st of January, 1905. The form of school government here described is that which is about to be applied. Executive authority is vested in a Board of Education composed of seven members, five of whom are chosen at large and two from districts or sub-divisions of school territory. No relation exists between this board and the Municipal Council or Mayor.

The board has entire control of the disposition of funds collected by taxation for school purposes. Its estimate of the tax necessary for the maintenance of the schools is, however, subject to revision by a body known as the Tax Commission, which has supervisory authority over the levying of taxes for school and municipal purposes. The board determines the number of schools needed. It establishes the curriculum and selects text-books. Teachers are appointed by the superintendent, subject to the approval of the board. They cannot be appointed for a term exceeding four years nor for less than one year. A teacher may not be removed before the expiration of the term of appointment, excepting upon charges preferred in writing and by a majority vote of the board.

During the past two years a great improvement has been effected in school accommodations. Prior to this time a number of basement rooms were necessary, but by the beginning of the year 1905 all of these rooms will have been abandoned and there will be adequate accommodations for the pupils in sanitary, well-lighted rooms.

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#### BUFFALO

By PROF. A. C. RICHARDSON, Buffalo, N. Y.

There is no Board of Education or "School Committee" in Buffalo. The nearest thing to it is the Board of Aldermen's Committee on Schools; which, however, has no executive functions, but merely considers and reports on ordinances relating to the public schools, just like any other standing com-

mittee of a legislative body. All matters relating to the schools are regulated by the provisions of the city charter and the ordinances passed by the City Council in accordance therewith. Even a change of text-books has to be authorized by the Council; which also has power to regulate the curriculum, but does not use the power, preferring to leave it to the superintendent.

The executive head of the department is the Superintendent of Public Instruction, who is elected by the people at large every four years. He recommends the course of study and other legislation; selects new teachers, and appoints them for the time and at the compensation established by ordinance. He may also dismiss a teacher upon charges, after a hearing and with the concurrence of the Mayor. As teachers are now engaged by annual contract, he may also practically remove a teacher at the end of a year by simply refusing her a new contract, and this is the course usually taken in case of an undesirable teacher. He also appoints the secretary of the department, who must be conversant with the German language, and who is also supervisor of the teaching of German.

As the superintendent is elected, it would seem as if the department would be wholly controlled by politics. This, however, is very largely, if not wholly, prevented by a section of the city charter, which establishes a Board of School Examiners. These are five in number, and are appointed by the Mayor for terms of five years, one member retiring each year. Their principal duty is to conduct examinations for the position of teacher in the public schools. The superintendent prescribes the subjects, scope and limits of these examinations, but the Board of Examiners alone conducts them and marks and grades the papers, besides preparing the questions. The examinations are held once in six months, and are conducted in the same manner as civil service examinations. Those who pass with a grade of 70 per cent. or more are placed on the eligible list, and no person not on the list can be appointed. All appointments are on probation for six months. Thus the examining power and the appointing power are in different hands.

Further protection for the city against incompetent teachers, and for the superintendent against political pressure, is provided by a recent regulation which enacts that no person can even enter the examination for teachers who does not possess one of the following qualifications:

For a high school teacher's certificate:

(a) Graduation from an approved college, and graduation from a pedagogical course in a university or college, or in lieu of graduation from such pedagogical course, one year's experience in teaching.

(b) A state normal school diploma and three years' experience in teaching.

(c) A high school diploma together with graduation from a teachers' training school, and also three years' experience in teaching.

Candidates for a certificate in free hand and mechanical drawing, in the commercial department and in physical training and elocution must be graduates of some approved technical or training school, and must have had three years' experience in teaching.

For a grammar and primary school principal's certificate:

Candidates for this certificate must be twenty-one years of age and possess one of the following qualifications:

(a) Graduation from an approved college and graduation from a pedagogical course in a university or college, or in lieu of graduation from such pedagogical course, five years' successful experience as teacher or principal.

(b) A state normal school diploma and five years of successful experience as teacher or principal.

(c) A high school diploma, together with graduation from a teachers' training school, and also five years' successful experience as teacher or principal.

For an assistant teacher's certificate:

Applicants, at the time of examination, must be at least nineteen years of age. They must also have one of the following qualifications:

(a) Graduation from a state normal school, or

(b) Graduation from a high school or academy having a course of study of not less than three years, or from some institution of learning of equal or higher standing, approved by the State Superintendent of Public Instruction, and, subsequently to such graduation, graduation from a school or class for the professional training of teachers, having a course of study of not less than thirty-eight weeks, and approved by the State Superintendent of Public Instruction, or, in lieu of such special training, successful experience in teaching for at least three years.

The requirement for a high school certificate is established by the Board of School Examiners; that for the other two by a law of the state.

Besides conducting the above-described examinations, the board is charged with the duty of visiting every school in the city at least once a year, and making a report upon its condition, both in the physical and educational sense.

Considerable progress has been made in the last ten years in providing adequate accommodations for the ever-growing school population; yet some of the existing school-houses are badly overcrowded, and in some districts it is necessary to use rented buildings, which, of course, are never suitable for the purpose and are at best a makeshift. The city is permitted by a law passed in 1902 to raise \$600,000 by issuing bonds for the erection of school buildings; of which, however, no more than \$150,000 can be issued in any one year. Then there is a "Consolidated School Fund" of \$150,000 a year in addition, which may be used for construction and repair. We have pretty nearly "caught up," yet it seems likely that there will always be crowding in some parts of the city, as the population is constantly growing.

Election by popular vote is no doubt a far from ideal method of choosing the head of an educational department, but it has worked so well in Buffalo during the past twelve years that it is doubtful whether the people would favor a change. The present superintendent was chosen in 1893, and he made so good a record and effected such great improvement in the schools that he has been twice re-elected and is now serving his third term. Thus the good sense of the people has enabled him to carry out a continuous policy

of improvement, in which he has been, on the whole, well supported both by the people and by the teachers. He is assisted by a supervisor of primary grades and another of grammar grades, and teachers' meetings are held periodically for discussion of professional subjects—a practice unknown before his time. Manual training and sewing have been introduced into the course, and have met with great favor and success. He is now urging that cooking and domestic science be also introduced, and this will probably be done soon. Kindergartens have also been established as fast as funds could be procured, and the grammar-school course has been reduced from ten years to nine. As the work of the ninth grade is practically equivalent to that of the first high-school year, the grammar-school course will probably soon end with the eighth grade. Two new high schools have been erected within ten years, only to be crowded to the doors the first day they were opened.

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#### CINCINNATI

BY MAX B. MAY, Cincinnati, Ohio.

The change in the policy of the Supreme Court of Ohio which compelled the adoption of a new municipal code for the State of Ohio in order to bring about uniform legislation, compelled the legislature last year likewise to adopt a new school code for the government of schools.

As stated in a former communication in *THE ANNALS*, the measure that was finally adopted by the legislature was a compromise one. It provided that the then existing school boards should decide for each city whether or not it would have a large Board of Education or a small Board of Education. The Board of Education of the city of Cincinnati yielding to the dictation of the dominant party organization, divided the city into twenty-four school districts, and provided in addition to a member from each district that there should be elected three members at large, twenty-seven members in all.

The act likewise provided that members for the School Board should be elected on a separate ticket, and that nominations might be made by petition, and the names of the candidates may appear under the head or emblem of several parties and is not restricted to appearing on the ballot once, as in the case of the general election law. Members of the board are elected for four years. The School Board has no relation whatsoever to the Municipal Council or the Mayor. It may levy taxes for school purposes at a rate not to exceed twelve mills on the dollar of valuation of taxable property in the school district. Such levy must be divided by the board into four funds, namely, tuition fund, building, contingent fund and bonds, interest and sinking fund.

In the city of Cincinnati the levy, before it becomes effective, must be submitted to the Board of Review of the city, which board has power to approve or reduce the levy, and a greater tax may be authorized if submitted to the vote of the people. In the city of Cincinnati it is immaterial, as far as practical purposes are concerned, how large a levy the Board of Education



makes, for the reason that its action is subject to review by the Board of Reviews, which is in control of the political machine, whose policy heretofore has been to cut down the levy of the Board of Education, so that the general tax rate throughout the city and county can be kept within proper limits; political capital being made out of the low tax rate. The board has absolute power in determining the number of schools. In reference to the curriculum, it has been the custom of the Board of Education heretofore to approve of the curriculum as submitted to it by its Superintendent of Schools. What the policy of the new board will be, of course, cannot be told at this time. Undoubtedly the superintendent will be given large discretion in the matter of curriculum. The Board of Education elects the superintendent, who shall hold office for a term of five years, and this Superintendent of Schools is vested with authority to make appointments of teachers, by and with the consent of the Board of Education, who shall hold office for a term of four years.

The superintendent has power to suspend any person appointed by him, but no person so suspended shall be dismissed by the board unless for inefficiency, neglect of duty, immorality or improper conduct, nor shall any dismissal take place unless the charges are first reduced to writing, and opportunity is given for defense before the board or a committee thereof, and a majority of the full membership of the board vote upon roll call in favor of such dismissal.

Within the city proper there are ample school accommodations. In fact, many of the school buildings have vacant rooms. This is due to the fact that there has been a shifting of the population of the city; many families having moved to the suburbs within the past five years or more. This renewal or change of population has caused inconvenience in the hill-top schools, and many of these are now overcrowded and there is a movement on foot to build additional school buildings in the crowded suburbs.

The election of the new School Board occurred last November. The contest in some of the school districts was very close, and the Citizens' Municipal Party rendered great service to the citizens in general, in calling attention to the neglect of the schools and to the refusal of the Board of Education to levy money sufficient to make the necessary repairs in existing school buildings, or to provide funds for the building of new schools where most needed. Though the candidates of the Citizens' Municipal Party were not successful, except in one or two school districts, still the citizens of Cincinnati have had their attention called to the conditions of the Cincinnati schools, and it seems to be admitted on all hands that the new School Board, which will take office in January, 1905, will pay more attention to the needs of the schools than ever before.

Many of the public bodies of the city have demanded the building of a new high school, and the introduction of manual training into the Cincinnati school system; also the establishment of kindergartens and of commercial courses in high schools. In all probability, when the School Board just elected is called upon to make a levy for the schools for the year 1905 and 1906, the board will make an increased levy, and throw the responsibility upon the

Board of Review, and the dominant political organization if the levy is reduced to such an extent to provide the necessary improvements.

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### PITTSBURG

By EDWIN Z. SMITH, Pittsburg, Pa.

The city of Pittsburg constitutes an independent school district. It is divided into thirty-nine sub-districts, which are generally, though not in all cases, coincident in area with the thirty-eight municipal wards. Each sub-district is administered by a board of six directors, two of whom are elected annually. This board is empowered to levy a local tax; to elect teachers; to purchase grounds; to erect school buildings; to provide school equipments; to employ janitors; to perform all duties necessary for the maintenance of the schools, except paying teachers and providing pupils with text-books, stationery, etc.

The Central Board of Education is composed of thirty-nine members, one elected every three years by each of the sub-district boards, who may or may not be a member of the sub-district board. It is empowered to fix and pay the salaries of all teachers; adopt the course of study for all schools; has entire control of the high school; establishes and maintains manual training and other auxiliary schools; supplies free books, stationery, etc., to all pupils; makes its own estimate of annual expenses, which is submitted to the City Councils and must become part of the general municipal budget.

The superintendent of schools is the professional head of the school system. He is elected every three years by the sub-district directors. The director of high schools is at the head of the high school. He is elected annually by the Central Board. A principal, elected by the directors of each sub-district, is at the head of the schools of each sub-district. Assistant principals are elected in each sub-district. The population of Pittsburg (census of 1900) is 321,616. There are three high school buildings and eighty-four sub-district buildings. Within the past two years the courses of study in the elementary and high schools have been revised and several very fine modern school buildings have been erected. However, we may quote from the last annual report of the city superintendent: "It is becoming increasingly evident that the schools of Pittsburg are outgrowing the organization which they have been working under for many years. This is especially shown in the lack of co-ordination and unification of the instruction in many departments, which makes much of the work fail of its best results."

The chief defects of the present organization are:

The division of authority by means of central and sub-district boards.

The election of teachers by local boards, and

The lack of co-operation which prevents the course of study from being carried out in a uniform manner throughout all the schools.

In 1904 there were thirty-five kindergartens and ten vacation schools supported in part by the Central Board of Education.

## NEW ORLEANS

By JAMES J. McLOUGHLIN, New Orleans, La.

The New Orleans city government has no educational department; the public schools are under the control of the "Board of Directors of the Public Schools of New Orleans," which board is a corporation created by an act of the legislature. This board is composed of twenty members, twelve of whom are elected by the City Council (the municipal legislative body) of New Orleans, and the other eight are appointed by the State Board of Education of Louisiana. By a system of classification, the members are appointed or elected in such a manner that only one-fourth of their number go out every year, so that the majority of the board is always composed of older members.

The board has full control of the school fund and its distribution, and is not responsible to the Council or Mayor or under any municipal control whatever. The funds of the board are provided by the legislature and constitutional provisions. The city government appropriates very little to the fund, although the funds come mainly from the taxpayers of New Orleans. This is done by an ingenious system. The city of New Orleans levies a tax of 1 per cent. upon all property, real and personal, which is called a public debt tax. Only about one-half of this tax is really required for the debt, and the other half, the surplus, is divided equally between the public schools and public improvement. The amount received therefrom constitutes the main source of revenue for public schools. In 1904 it amounted to \$300,000.

The state levies a school tax of one and three-fourths mills upon the assessed value of all property, and this is distributed ratably amongst all the parishes (counties) according to the number of children of school age. From that source the board received during 1904 the sum of \$93,000. Besides this, a poll tax of \$1 is levied upon each voter, which goes to the schools of the parish in which the tax is collected. The amount from this source during the year 1904 is estimated at \$25,000. In addition to the foregoing the board received a direct appropriation from the city of New Orleans during the year 1904 of \$124,120; this under constitutional mandate at eight-tenth mill on assessment roll. The board's total revenue for 1904 was about \$550,000, or about \$2 per capita of the city's population. All this money is turned over to the board, which has absolute and unlimited power to disburse the same, subject, of course, to the state laws governing education. With the sole restriction that it shall not exceed its income, it has the power of determining the number, capacity and location of all the schools.

The books to be used in the public schools are selected by the State School Board. With the provision that only these books can be used, the City School Board can enforce any curriculum it sees fit. The teachers are appointed under a civil service law, after a competitive examination, and under the law are appointed for one year only. But in practice they hold office for life, or during good behavior. The force is re-elected each year. The School Board does all the electing and removing of teachers, and also prescribes the character of examination for teachers.

There is only one School Board in the city of New Orleans and that is the Central Board of twenty members, and there are no subordinate bodies.

The executive management of the schools is entrusted to one chief superintendent and two assistants, all chosen by the board and removable by it.

The school accommodations are entirely inadequate. We have 26,000 white and 5,000 colored children in our public schools, and there are still 30,000 white and 10,000 colored children out of school, for whom accommodations should be provided. We have sixty-three school buildings for the white children and nine school buildings for the colored children. About two or three buildings are added each year. From all of which it will be seen that, while the provision made by New Orleans for local education is woefully deficient, yet it indicates improvement. Our public school system is supplemented by many private and parochial schools, the Roman Catholic Schools alone counting over 10,000 pupils. In the higher schools we have Tulane University and four well-endowed or supported negro universities, to-wit, Straight University, Leland University, Southern University and New Orleans University. These universities are well attended, and they afford fitting capstones to the system of lower schools.

One great want is a system of normal education that will prepare teachers for the colored pupils in the grammar and primary schools. There is a normal school, under the City School Board, for white teachers, while the colored universities are relied upon to furnish the negro teachers; but so far with little success, as the School Board is as yet unable to find colored teachers in sufficient numbers to fill the places waiting for them. We have three high schools for white children, but none for colored; but this does not deprive the colored children of that system, as the various negro universities supply the need.

Our present School Board is active and efficient, and conducts its work upon liberal educational lines, and, with increasing income from the natural increase in taxable property in this community, will no doubt afford increased accommodations and facilities for the education of the children of New Orleans.

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### MILWAUKEE

By JOHN A. BUTLER, Milwaukee, Wis.

Prior to 1897 the public schools of Milwaukee were largely under the control of politicians. In that year the Municipal League of Milwaukee drafted a bill which was enacted into legislation and placed the city schools on a new basis. The efforts of the late William Geuder, Esq. (whose public spirit and ability, as well as his service as president of the School Board for several terms, secured him an invitation to act as a member of the committee which was entrusted with the drafting of the bill) contributed greatly to its passage. Pursuant to that legislation, Chapter 186, Laws of 1897, the Milwaukee schools are now under the "General management, control and supervision of a Board of School Directors consisting of one director from each ward . . . to be appointed" as follows: "All appointments of members of the Board of School Directors . . . shall be made by a commission consisting of four

citizens of suitable character and education, who shall be appointed by the Mayor of the city as hereinafter provided. Not more than two of the members of such commission shall, at the time of their appointment, belong to the same political party; and no person holding any office in any political organization or any lucrative city, county or state office, other than a judicial office or that of notary public, shall be eligible to be a member of such commission or of such Board of School Directors." The commissioners are appointed for one, two, three and four year terms in a reverse order, and the annual vacancy is filled by an appointment for a four years' term. The commission elects its own officers, and, after dividing the wards of the city into three classes, appoints one school director from each ward; those representing the wards in the first class to serve for three years; those representing wards of the second class to serve two years, and those representing wards of the third class to serve one year. Subsequently the commission appoints annually successors of directors whose terms expire by limitation, such directors to hold office for three years. The board thus constituted is authorized and required to establish and organize as many schools in addition to those already in existence as are necessary for the accommodation of pupils entitled by the laws of the state to instruction. It may also erect, purchase or hire necessary school buildings and improve or enlarge the same, and purchase furniture and lots for the accommodation of the schools, but the selection of sites for school buildings and the adoption of plans shall be determined by a statutory committee consisting of the city engineer, the president of Common Council, the superintendent of schools, the president of the Board of School Directors and the chairman of the board's Committee on Buildings. Their decision shall be subject to the approval of the board. "The decisions of this committee in the selection of sites and plans shall, when thus approved, be reported to the Common Council, but shall not be modified or amended by said Common Council, except as to the amount of money appropriated for the execution of the work, the purchase of sites or for the fulfilment of contracts involved. . . . The school buildings now erected and the lots on which they are situated, and the lots now or hereafter purchased for school purposes, and the school houses erected thereon, shall be the property of the city, and no lot shall be purchased or leased, nor shall any school house be erected without an ordinance or resolution passed by the Common Council." By a rule of the board school sites can only be purchased after condemnation proceedings.

The School Board may fix or increase salaries and incur expense for various purposes, but only subject to the Mayor's veto, which may be overridden by a two-thirds vote of the board. Generally speaking, the board is confined to the use of funds voted by the Common Council, except that it controls the disbursement of an annual fund of about \$40,000 for necessary repairs. The janitors of school buildings are appointed and their compensation fixed by the board subject to the powers and regulations of the Civil Service Commission. "A committee consisting of the president and four members of the board selected by the president, shall examine, certificate, employ, classify and promote teachers,"



but the action of this committee "shall be subject to amendment and confirmation by the Board." The president and four members, selected by the president, shall constitute a committee to select and determine courses of study and the text-books to be used subject to the control of the board. The president and four members, selected by him as above, may, by a majority vote, dismiss teachers and janitors for misconduct, incompetency, inefficiency or inattention to duty, subject to amendment, rejection or confirmation by the board. The board has the power to select and adopt school-books, but said books shall be uniform in the various schools, and when the board shall have adopted any such book or books, the same shall not be changed for a period of five years thereafter. The board shall require that the system of instruction in the several schools shall be as nearly uniform as possible, "and shall adopt, at its discretion, and modify or repeal by-laws, rules and regulations for its own government, and for the organization, discipline and management of the schools under its control, and generally adopt such measures as shall promote the good order and public usefulness of said schools," subject to the constitution and laws of the state.

"The superintendent of schools shall, under the direction of the Board of School Directors, have a general supervision of the public schools . . . and of the manner of conducting and grading them and of the teachers. He shall appoint, subject to confirmation by the board, an assistant superintendent and such other assistants and supervisors as may be authorized by the board," provided that the creation of any new office or the increasing of any salary of any officer, teacher or employee by the said Board of School Directors shall, after the adoption of any resolution therefor, be submitted to the Mayor . . . who may exercise the veto power with respect thereto in the same manner and with like effect as he now may exercise such power with respect to resolutions of the Common Council." In the appointment and removal of teachers, school superintendent and the secretary of the board, its powers are absolute. There are no subordinate boards. The city is supplied with excellent school buildings, but with the rapidly increasing population, it cannot be said that the accommodations are always adequate, but they are, on the other hand, not notably inadequate. The city has at present four high schools of an admirable character, a well-distributed system of ward schools and primary schools, and a day school for the deaf, in which the lip-reading system is taught. This interesting institution has over fifty pupils and it graduates teachers from its normal department.

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#### WASHINGTON, D. C.

By GEORGE S. WILSON, Secretary Board of Charities, Washington, D. C.

The administration of the public school system of the District of Columbia is entrusted to a Board of Education, consisting of seven members, appointed by the Commissioners of the District of Columbia. These members serve for seven years, and the terms of service are so arranged that the term of

one member expires each year. The members are allowed a compensation of "ten dollars each for personal attendance at each meeting"; but the compensation for any member shall not exceed \$500 per annum. The general authority of this board is set forth in the law as follows: "The board shall have complete jurisdiction over all administrative matters connected with the public schools of the District of Columbia, except that all expenditures of public funds for such school purposes shall be made and accounted for as now provided by law under the direction and control of the Commissioners of the District of Columbia."

The board annually transmits to the Commissioners of the District of Columbia an estimate of the amount of money required for the public schools, and this estimate is transmitted to Congress with such recommendations as the Commissioners deem proper. The board is limited in its financial transactions by appropriations of Congress. In reference to the number of schools, the board can only recommend that new schools be provided and urge its recommendations before the appropriation committees. The actual establishment of new schools must be specifically provided for by Congressional appropriation. The board, with the aid of the superintendent, determines the curriculum. The law provides that "the superintendent shall annually submit to the board for its approval the course of studies and list of text-books and other apparatus to be used in said schools."

The board has full power of appointment and removal of all officers, teachers and other employees connected with the public schools, from the superintendent to the janitor. The only limitation with reference to appointments is "that the graduates of the normal schools shall have preference in all cases when appointments of teachers for the grade schools are to be made." There are no local or sectional school boards in the District of Columbia, but a distinction is made between schools for colored children and schools for white children. White children are not permitted to attend schools for colored children; nor are colored children permitted to attend schools for white children. This distinction obtains in the high schools, manual training schools and normal schools, as well as in the grade schools. The law does not mention the question of color with reference to the members of the School Board, but there have always been at least two members of the colored race on the School Board; but the law does provide in reference to the two assistant superintendents, that one of these superintendents "under the direction of the superintendent, shall have charge of schools for colored children."

The school accommodations are not adequate, though no child presented for admission is ever denied; but the limitations in school accommodations are such that it is necessary to have a number of half-day schools, and there are many children who ought to be in school that are not in attendance. There is no efficient truant law in the District. If there were such a law, properly enforced, the inadequacy of the present school accommodations would be much more apparent. Several new school buildings are provided annually. Last year, two additional buildings were authorized; but the growth in population more than keeps pace with the increase in school buildings.

The most important recent change in connection with the public school system of the District of Columbia was a provision for medical inspectors. The system of medical inspection of public schools was inaugurated in the school year beginning in the fall of 1903. These medical inspectors work under the direction of the health officer, according to rules formulated by him, but approved by the Board of Education and the Commissioners of the District of Columbia. The school system of the District, like other matters of municipal government, is free from the influences of partisan politics.

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### PROVIDENCE

By SIDNEY A. SHERMAN, PH. D., Providence, R. I.

The School Committee of Providence consists of thirty-three members, thirty of whom are chosen by wards, three from each of the ten wards, and three are members *ex-officio*. The latter are the Mayor, the president of the Common Council and the chairman of the Council Committee on Education.

Until within two years the executive authority of the board was exercised chiefly by sub-committees, but since that time it has been largely transferred to the superintendent. He is termed "the executive officer of the School Committee." As the committee included three members of the City Council, it is at all times open to suggestion by the latter, although, as a matter of fact, these three members do not regularly attend the meetings of the committee. The committee does not depend upon the council for its existence or for the election of its members, and as the latter serve without pay, it may be said to be in so far independent of the council. Financially, however, it is wholly dependent upon the council. All appropriations for schools are made by the council, and it is not bound by any state law to appropriate any minimum percentage of the total tax levy for school purposes. Each year the committee makes up its estimates of the amount needed for the next year and presents it to the council, which gives the committee as large a percentage of that amount as possible. The committee apportions the amount thus granted as its judgment dictates. The board can open new schools in buildings already in its control or leased by it, but it cannot build school houses. That is done by the council with a special appropriation. Its power over the curriculum is absolute, although indirectly the council might influence it by refusing appropriations for particular branches of instruction or departments of work, as it did in the case of summer schools recently. The appointment and removal of teachers is also completely in the hands of the committee. By state law, teachers must possess a state certificate, but there is no civil service law affecting appointment or tenure of office. The committee's by-laws, however, require college or normal school education, or three years' practical experience.

There are no local or sectional school boards as such, although the three members from each ward are supposed to be especially interested in the schools of their ward, and have at times in the past come near to dominating them. This ward system is, I believe, a relic of a former dis-

strict system, under which the districts were independent of each other in the old New England district system. School accommodations are, on the whole, adequate. Children are not kept out of school on account of lack of room, as in New York and some other cities. The last ten or twelve years have been an era of school-house building. Many primary, several grammar and three large high school buildings have been erected. Several important steps for the improvement of the service have been taken during the last two years. The superintendent, after one year's probation, holds office during good behavior, and can be removed only by a three-fifths vote at the regular meeting in June, or at any other meeting, for misdemeanor. No teacher can be elected by the committee who is not nominated by the superintendent from an approved list. He nominates all teachers. He makes all assignments and transfers of teachers, and may suspend or dismiss any teacher whose services are unnecessary or unsatisfactory. Thus, as far as possible, the board has delegated to him the power of appointment and removal of teachers, first having made him a permanent officer. The matter of text-books has been practically placed in the hands of a committee of teachers appointed by the School Committee. No book can be added to or taken from the list of authorized text-books without being first submitted to them. And while their advice in the matter may be disregarded by the board, there is no disposition on its part to do so. The secretary of the School Committee and also the superintendent of school buildings have a like tenure of office with the superintendent, being removable only by a three-fifths vote. About seven years ago the election of teachers was made permanent instead of being annual. These are the important changes for the better, and, although voluntary on the part of the committee, they are likely to be permanent.

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#### KANSAS CITY

By HENRY L. McCUNE, Kansas City, Mo.

The executive authority of the educational system of Kansas City is vested in a Board of Education, composed of six members. The members of the board are elected by the qualified voters of the school district for terms of six years, two members being elected every two years. By common consent, the Kansas City School Board has for many years been entirely non-partisan. At each biennial city election each political party nominates one member of the board. As a result, each of the nominees of the two leading parties is always elected. This plan is a custom only, but is now firmly established. The members of the board receive no compensation. An election to the Board of Education is an honor bestowed only upon men of the highest standing in the community. The members are re-elected year after year, one member of the present board having served continuously twenty years. No difficulty has ever been experienced in getting good men to serve the city in this capacity.

The members of the School Board are officers of the school district and not of the city, and are therefore not related to the Mayor or City

Council. The board derives its authority from a state statute, which provides for the organization of school districts in cities having more than 50,000 and less than 300,000 inhabitants. This statute vests in the School Board the government and control of the school district. The board is authorized to appoint a secretary and treasurer, who are not members of the board, and may fix the salaries of these officers. The board has general supervision of the finances of the district. It is required to make out and forward annually to the county clerk an estimate of the amount necessary to maintain the schools for the year. School taxes are collected by the county collector and turned over by him to the treasurer of the school district. Funds are paid out by the treasurer upon warrants signed by the president and secretary of the board, and countersigned by the superintendent of schools, who is appointed by the board. The board has power to borrow money and issue bonds for the purpose of erecting school houses and public libraries, the consent of the voters having been first obtained at an election held for the purpose. The bonded indebtedness of the district is \$2,095,000. The assessed valuation of the property owned by the district is \$90,000,000, and the total rate of taxation for general purposes, interest and sinking fund is 9 mills. The Board of Education controls the curriculum and employs and removes teachers and designates text-books for use in the schools. Examinations for teachers' certificates are conducted by the superintendent of schools, assisted by a Board of Examiners appointed by the board. There are no local or sectional schools. Although new school buildings are being erected constantly, the schools are overcrowded and accommodations are inadequate. A new high school and manual training school for colored children is to be erected without delay.

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#### GRAND RAPIDS

By DELOS F. WILCOX, Grand Rapids, Mich.

At the head of the school system is a Board of Education composed of twenty-five members, including the Mayor *ex-officio* and two trustees from each of the twelve wards of the city. The trustees are elected at a special school election held in September. One trustee is chosen from each ward every year, the term of office being two years. There is a separate registration of electors for the school election. Women who have children of school age or taxable property are entitled to vote. In practice the taxable property limitation amounts to little, as any one who has a watch or a ring that might be taxed is considered qualified. The Board of Education has regular monthly meetings and has full control of the educational department. The Mayor has the same authority on the Board as any other member.

The board has an annual meeting in August, at which the budget for the ensuing year is made up. This budget is transmitted to the Common Council some time in September for approval or amendment. The budget is fixed as the Council determines, but if no action is taken by the first of October the budget will stand as prepared by the Board of Education. The



Council has nothing to do with controlling the expenditure of school funds after they are provided. Furthermore, a large part of the school funds is derived from the regular one-mill tax and the contributions of the state from its primary school fund. The Common Council has nothing to do with this part of the resources of the Board of Education. The only other control exercised by the Council is in the matter of issuing bonds. The Board of Education has no authority to issue bonds for the purchase of school sites and the construction of school buildings, except with the approval of the Common Council.

The Board of Education has full power to determine the number of schools and their location, to arrange the school districts, to establish the school curriculum and to appoint and remove school teachers. The Superintendent of Schools is elected annually by the board. He has only such authority as is given by the Board of Education under its rules. In practice the superintendent has the full control of the educational department, subject to the approval of the board. There is a standing committee on schools and teachers which consults with the superintendent and reports to the board matters pertaining to the educational department. There are no local or sectional school boards whatever, and no administrative committees for different school districts. It is true, however, that the two trustees from each ward generally constitute a *de facto* committee to look after the interests of the schools in their respective wards to a considerable extent. Occasionally their activity is pernicious.

The school accommodations are adequate for all the primary and grammar grades, although two or three of the buildings are now out of date and unsanitary. In fact, there has been no increase in the enrollment below the high school in the last six years. This seems to be due largely to the fact that more children are attending private and parochial schools. Last year, however, the growth of attendance at the high schools brought the Board of Education face to face with the apparent necessity of a new high school building or a large extension of existing high school accommodations. Out of this necessity arose an agitation for the extension of manual training to the high school grades, and the establishment of an independent high school fully equipped with commercial, manual training and domestic science courses. The Board of Education worked out a plan for the construction of the buildings needed and the reconstruction of the dilapidated grammar school buildings. This plan involved an expenditure of nearly \$300,000, of which the Board wished to raise \$200,000 during the present year. The question of bonding the city for that amount was twice submitted to the people for an advisory vote, first at the regular municipal election last spring, and again at the school election in September. On both occasions the bonding proposition was defeated by a decisive majority. The result of these abortive efforts must necessarily be a conservative policy, which is likely to prove, in the long run, detrimental to the interests of the schools and possibly more expensive than the plan that was rejected by the people.

There has been for some time a considerable agitation for the reorganization of the school department by reducing the size of the Board of Educa-

tion, by revising the school election law to throw adequate safeguards around the election of school trustees and by proving that the business of the schools shall be in charge of a business manager responsible to the board. At the present time it is difficult to say just how much progress has been made in crystallizing public opinion in favor of these improvements.

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### SEATTLE

By PROF. J. ALLEN SMITH, Seattle, Wash.

Every city in the State of Washington having 10,000 or more inhabitants is for school puposes a single district. The executive authority of the distict is vested in a Board of Education consisting of five members, one or two of whom are elected each year for a term of three years. The Board of Directors can employ and "for cause" dismiss the city superintendent, the teachers, janitors and other employees. They can prescribe the courses of study, subject to the condition that they must conform to the state law and the requirements of the State Board of Education.

Under the law as it now stands text-books are to be selected by a text-book commission consisting of the city superintendent and four other persons appointed by the Board of Education, two of whom shall be members of the board and two teachers in the city schools. The board determines the location of all school buildings, and has full power to establish and maintain such grades and departments as it may deem necessary, including kindergarten, manual training and industrial and high schools. The Board of Education determines the amount of funds, in addition to the estimated receipts from the state tax, needed for the support of the schools, the purchase of school sites, the erection and furnishing of school buildings, etc., and reports the same annually to the county commissioners, who must levy and collect it. But in case the purchase of school sites and the erection of buildings shall require an expenditure of more than \$50,000 for one school year, it shall be submitted to a vote of the electors of the district.

The aggregate tax for school purposes for any one year shall not exceed 1 per cent. of the taxable property of the district, unless the board by unanimous vote of all its members determine upon a greater tax, which can in no case exceed 2 per cent. The board may borrow money and issue bonds therefor to an amount not exceeding 5 per cent. of the taxable property of the district. The question of issuing bonds must be ratified by the voters of the district, a majority being sufficient unless the contemplated issue should make the total outstanding debt of the district exceed  $1\frac{1}{2}$  per cent. of its taxable property, in which case a three-fifth majority in favor of the proposition is required. Women have the same right to vote as men at all school elections. The public school system of the city is entirely distinct from its municipal government, the latter having no control over it. It has been difficult, in fact almost impossible, for Seattle to provide school buildings fast enough to keep pace with the rapidly growing school population.

## DULUTH

By W. G. JOERNS, Duluth, Minn.

The "Educational System" within the corporate limits of the city of Duluth is by special legislative enactment under the exclusive control of the "Independent School District of the City of Duluth," which is known and designated by the corporate name of "The Board of Education of the City of Duluth." In it are vested all the powers and functions conferred by law upon the independent school district meetings, and it is entirely separate and distinct from and uncontrolled by the general city government.

The members of the Board of Education are nine in number, and are elected by popular vote at special school elections and are called "directors." At such elections women of the age of twenty-one years and upwards, who otherwise meet the requirements of legal voters, are allowed to vote, and they are also eligible "to hold any office pertaining solely to the management of public schools." The board elects its own officers, and the members thereof, except as they may happen to serve as clerk or treasurer, receive no compensation whatever for their services. In the board is also vested the exclusive power of appointment or removal of all subordinates, including teachers and superintendent, and it has power to fill vacancies in its own membership *ad interim*, and under certain contingencies and restrictions the power of removal over its own members. The superintendent is the executive officer of the board and *ex officio* a member thereof, but without the right to vote.

The board fixes the school tax levy, which is based on the general assessed valuation of the city, and is certified to by the county auditor and collected with the general taxes. At stated times the tax so collected is turned over to the board by the county treasurer. The board is by law limited to a maximum levy of eight mills for general purposes and to eight and one-half mills for building fund. There is no limit on the sinking fund levy. The board is likewise empowered to submit to popular vote at any general or at a special election the question of additional bond issues, and, except that it requires a two-thirds affirmative vote of the electorate and that the bonds shall not bear to exceed 6 per cent. interest and are not run more than thirty years, the powers of the board in this regard are unlimited. As a matter of fact the School Board is almost invariably composed of the best of our citizens, and the present tendency at least is in the direction of a wholesome economy consistent with a proper and progressive school management.

In addition to the regular revenue, the schools of Minnesota enjoy a special revenue from the state. The state school fund amounts at the present time to \$15,000,000, which is the product mainly of the sale or usufruct of state lands, timber and mineral rights. This principal sum cannot be invaded; but the income is applied for the benefit of the state school system, and a part thereof is annually distributed among the school districts of the state, the share of the Duluth district amounting to an average of from \$3 to \$5 per enrolled pupil. There is also a special high school grant from the state to such high schools of the first class as place themselves under the jurisdiction of the State High School Board and follow a prescribed curriculum.

The grant last year to the Duluth High School amounted to approximately \$1,500. The present bonded indebtedness of the Duluth school district is \$1,037,000, and as an offset to this the present school assets in buildings, sites, equipment, etc., are appraised at \$1,868,000.

Except as the power to issue bonds or levy taxes is circumscribed by the requirements above stated, the power of the board in determining the number of schools is practically unlimited. So also its powers with reference to curriculum and with reference to the appointment and removal of teachers are absolute. The teachers are elected annually, but it goes without saying that as to competent teachers this election is largely a matter of form. They are practically sure of re-election. Indeed, the aim is to reward meritorious service. To this end an increase of salary has been provided for, so that where the salaries of grade teachers two years ago ranged from \$45 to \$65 per month for the school year, the present maximum is \$75 per month. Grade principals and high school teachers receive a higher compensation, the high school principal receiving \$3,000 per annum, and the only male principal of the grade schools (a recent departure) being paid \$1,400 per annum. Length of service is considered as a substantial element in the fixing of salaries.

There are no local or sectional boards. The one Central Board is supreme and exclusive.

The school accommodations are fairly adequate, and, while at times in the past, with the rapid growth of the city, the facilities have been somewhat cramped, a laudable endeavor has been ever present to meet these contingencies as well and as promptly as possible. Duluth, with a population of about 75,000 and covering a territory approximately twenty-five miles long by an average of two miles wide, has at present thirty-one grade buildings and one central high school. The grade enrollment for 1903-04 was 11,438. The present high school enrollment is 753. The total number of grade teachers and principals, as given in the last annual report, was 277, the number of high school teachers (of which 10 are males) was 22. The cost per pupil for teachers' salaries on enrollment was \$16.06. The total cost per pupil on enrollment was \$28.59.

The Duluth school district is committed to the "free text-book system." While the initial expense was higher, reaching \$7,511.12 for the year 1900-01, the outlay for this purpose during the last school year was only \$3,372.07 or 27 cents for enrolled pupil. The plan is pronounced by the school authorities an unqualified success. Manual training is receiving prominent and increasing attention. At present industrial instruction is still confined to the high school, but the indications are that it will sooner or later be extended, in a limited form, to the grade schools. School libraries are being established. The establishment is aided by state enactment under which the state, under provided regulation, donates an amount equal to the local appropriation for this purpose. Last year's local appropriation in this regard, as also that of the year before, amounted to \$250.

A school savings bank system has been in operation for several years. It was introduced to inculcate habits of thrift and economy in the pupils and the results have proven quite satisfactory.

The modern tendency of education is toward the practical. This is also the policy of the Duluth authorities. The very able superintendent, who has filled his position for more than twenty years, is strongly committed to that policy. To that end increasing emphasis is laid on the importance of grounding the pupils thoroughly in the elementary subjects.

Great care is exercised in the selection of teachers. Once installed, particular attention is given to keeping them up to a high standard. Special courses of reading and study are outlined for the weekly teachers' meetings. Thus in the year 1901-02 the reading and study was along the line of civics, in the following year a course of history was outlined and this was followed in the last school year by a course in teaching of English and English history. In addition the usual practical results of teachers' meetings are sought to be obtained. A very satisfactory homogeneity as well as wholesome *esprit de corps* has thus been established.



## II. DEPARTMENT OF PHILANTHROPY, CHARITIES AND SOCIAL PROBLEMS

**Charity Organization Society of New York.**—The recent report of the New York Charity Organization Society is a most instructive discussion of the agencies, remedial, preventive and constructive, for the benefit of suffering humanity. It is a general survey of the whole field of philanthropic activity in New York. To quote from the report: "Every year, increasingly, the great charitable, reformatory and preventive social agencies are coming to regard themselves as integral parts of one whole, and are working with less of wasteful rivalry, and less of wasteful repetition of the mistakes of others towards one common end. In the division of work among themselves, in the promotion of needed reforms, in the defeat of ill-considered and injurious schemes of legislation, in an interchange of experience, in mutual understanding of the precise objects and methods of each, there has been extraordinary progress."

The two most important specific movements which have been set on foot by the society are perhaps the Tenement House Committee, on whose initiative the recent advanced legislation on this subject and the creation of the Tenement House Department in the municipal government were secured, and the Committee on the Prevention of Tuberculosis, which has enlisted the hearty support of the medical profession.

Among the notable events of the past year have been "the erection of new and much-needed buildings at City Hospital on Blackwell's Island; the establishment of cottages for aged couples in the Farm Colony of the Department of Public Charities on Staten Island; the opening of dispensaries at Bellevue and allied hospitals, and by the Board of Health, for the care of consumptives living at home; legislation for the establishment of a psychopathic hospital under the control of the State Commission in Lunacy; the awarding of contracts for the new Harlem and Fordham Hospitals, and a new wing at Gouverneur Hospital, and the announcement of plans for a new Bellevue Hospital; the inauguration of a movement for the removal of the House of Refuge from Randall's Island to a new site in the country; the establishment of a reformatory for young prisoners on Hart's Island, in the care of the Department of Correction. All of these and many other changes in the work of the city departments—mainly for the better—have been fully described as they have occurred in the pages of 'Charities.' The transformation of the Hudson Reformatory into an institution for girls; the better classification of the inmates of the reformatories for women, and the change by which girls are no longer to be sent to the House of Refuge or to the State Industrial School at Rochester, with the pending removal of the two latter institutions to new and more appropriate sites constitute on the whole a satisfactory advance in the reformatory system of the state."

The society has taken an active part in the movement for new parks and playgrounds. "Strong representations were made to the Board of Estimate and Apportionment in favor of the condemnation of the so-called 'lung-block,' but owing apparently to the opposition chiefly of a local politician and a local parish priest who feared the loss of constituents and parishioners, this plan was at least temporarily defeated." The society also took part in the administration of the Citizens' Relief Committee in connection with the "General Slocum" disaster. The society's enthusiasm over the gift of Mr. John T. Kennedy for the permanent endowment of the School of Philanthropy is natural and commendable, considering that it ensures the enlargement and perpetuating of the school. Nor is the society any less justified in its exploitation of "Charities," the excellent monthly review of "local and world-wide philanthropy," which is published under the auspices of the society.

The society has performed a public service in calling attention to the deplorable effect of political domination over the municipal departments in which human life is concerned. The statement was evidently prepared with considerable restraint, owing to the difficulty of saying unpleasant things without giving personal offence. To quote from the report: "It is, however, a clear duty to call attention to the wastefulness, the injury to the interests of the sick and dependent and the inexcusable folly of attaching the responsible administration of such a department, for example, as that of the Department of Public Charities to the fluctuations of municipal campaigns. . . . No better illustration of the elementary principle that the great city of New York is entitled to the service of experts and the continued service of such experts as have shown marked fitness for great responsibilities can be given, than by a comparison between the advances made in the administration of the Department of Public Charities in the first half of the present year, and the first half of the year 1903 and the year 1902. In both of the preceding years new institutions were created, old institutions were reorganized upon a better basis, and administrative reforms of various kinds were made, some of which are mentioned in other parts of the present report, but all of which are set forth in detail in the official quarterly reports of the Department of Public Charities.

"Still more striking will be a conservative forecast of some of the things which undoubtedly would have been accomplished in this first half of the year 1904, if the administration of the former commissioner of charities had been continued and had been given the same support as was accorded it during the previous two years. It is safe to say that there would have been expended under pending or completed contracts at least half a million dollars for new buildings and improvements, among which would probably have been six additional cottages for aged infirm persons on Staten Island; an adequate dormitory for employees in the Metropolitan Hospital, who are now lodged in an incredibly unsuitable manner; an isolation pavilion on Randall's Island for children suffering from venereal diseases, of whom there are unfortunately a great number; a new emergency hospital at Coney Island, which might serve also as a convalescent hospital for the use of the

entire department, and a hospital for nervous diseases on Blackwell's Island. The latter would not necessarily require a new building, but would gather into a group of buildings already existing the six hundred patients suffering from paralysis and other nervous diseases, giving them the great benefit of a special staff of physicians expert in the treatment of such diseases and with special equipment therefor. Undoubtedly the nursing in the wards for sick children on Randall's Island would have been definitely organized as part of a training school for nurses, male consumptives would have been removed from their present unsuitable quarters in King's County Hospital, a camp for convalescent consumptives established at the City Farm Colony on Staten Island, and women would have been admitted as day patients with proper dispensary treatment to the Tuberculosis Infirmary on Blackwell's Island, and the vigorous prosecution of deserting fathers and husbands who have absconded from the state, leaving their families dependent, would have been inaugurated.

"These measures are enumerated not as baseless speculations, but as definite plans, many of which were well under way on the first day of January. For example, the Hospital for Nervous Diseases, which had been recommended and for which the plans had to some extent been worked out by Dr. Frederick Paterson and Dr. Pearce Baily, two of the foremost specialists, had been made the subject of full investigation, reports had been received from the superintendent of the Home for the Aged and Infirm, and other preparatory steps taken with a view to action early this year.

"It is as extraordinary as it is humiliating that of these various plans for more efficient and more humane care of the city's dependents, not one has been carried into effect or advanced beyond the stage at which it was left on New Year's Day, and that with the exception of the selection of a site for a municipal lodging house, no new plans have been substituted for them, so far as can be ascertained from an examination of the official reports and personal inquiry at the department.

"The considerations which have been urged with reference to the Department of Public Charities would apply with almost or quite equal force to the Department of Correction, the Tenement House Department and the Health Department. Permanency of tenure for such as are found to have peculiar qualifications for those responsible and essentially non-partisan functions of the municipal government is a principle which every good citizen, whatever his politics, should heartily and unequivocally accept."

The note of this part of the report is one of despair rather than anger. In the effort to maintain friendly terms with the adversary, Dr. Devine has suppressed his natural feelings. It is, however, clear to those who can read between the lines of his statement, that the Charity Organization Society maintains its calm exterior with weariness and pain, and that its measured words are really giving it great distress.

The society summarizes its position thus: "The five special features of the work of the Charity Organization Society, all of which are unique and distinctive of this society, indicate its peculiar and central position among the charitable agencies of the city. No other society undertakes or could

undertake without sacrificing its own, and perhaps equally indispensable functions, the special objects and activities of this society. It is a society for organizing and co-ordinating charitable work; it is a society for receiving applications for aid, carefully sifting and testing them, and obtaining from the proper sources prompt and adequate material relief for such as are in need; it is a society for encouraging the establishment of new agencies where they are required, for giving expert and confidential advice to the benevolent in their benefactions, for giving accurate information in regard to charitable institutions, almoners or agents that appeal for contributions; it is a society for helping the poor through wise counsel based upon long and instructive experience, through personal service of volunteer visitors, and through all such means as will make them at the earliest possible moment self-supporting and self-respecting members of the community."

The report is signed by Robert W. de Forest, president, and Edward T. Devine, general secretary.

**The Newark Bureau of Associated Charities.**—The history of the Bureau of Associated Charities of Newark, N. J., is typical of the development of the charity organization movement in other cities. The society is now twenty-one years old, having been organized at the same time with the general movement toward inquiry and investigation of methods of charity which took place in the later seventies and the early eighties. It adopted for its constitution practically that of the Boston Associated Charities, including the system of district offices with paid superintendents. The enthusiasm of the new ideas carried the work on vitally and successfully for a number of years, when it apparently began to lag. The vital principles of charity organization were not easy to work out in a constructive way, and the society began gradually to lessen its activities and to narrow its work and ideals. Finally, it may be stated as approximately true, the society's work became largely the work of investigation and report, the active work being delegated to other societies. Furthermore the field of effort seemed to narrow down to the matter of affording material relief, and the bureau's investigation was to find whether the family was worthy or unworthy of material relief. Coincident with the decrease of vitality came the withdrawal of the districts into the central office, the district offices being given up to save expense.

Within the past two years the society has undergone a change. It is recognizing more and more the broader phases of charitable work involving questions as to the social and environmental conditions of the families dealt with. At the same time there has come a renewed interest in the personal work of regenerating the character of the families through personal influence. The investigation of a case of need is followed up by the outlining of plans for the restoration of the family to independence and efforts to secure the co-operation of society, church or individual interested to accomplish the definite object in hand. Where there are gaps in the city's provision for assisting families, these are filled temporarily at least by the activity of the society. An emergency and special relief fund is maintained, the emergency fund for providing temporary aid quickly, as there is no society in the community that will do this, and the special relief fund for securing adequate

relief in those special cases where it cannot be secured from other sources. A provident savings fund has been inaugurated, with a paid collector who is doing missionary work, teaching thrift and economy, and giving a new conception to the beneficiaries of the purposes of charity. By co-operation with one of the lodging houses and wood yards for men, which had previously given work only to homeless men, the society has now a means of furnishing emergency work to the head of the family as a test, and to tide over until something more permanent can be accomplished.

Coincident with the development of this machinery the society has put its hand to the development of friendly visitor work along definite lines. The district conferences, district now only in name, as they meet at the central office for the time being, have been developed into friendly visitor conferences for personal work with needy families. It might be said in passing that the society recognizes the need of the district system of organization in Newark, and hopes to return to that system when its resources are larger and its vital hold upon the public greater. In the meantime, under the presidency of an active and enthusiastic chairman, the conferences are developing along friendly visitor lines. This work is in charge of the assistant superintendent, so that the visitors are under constant direction of a trained worker.

In order to create an atmosphere for real co-operation, and to make it possible for progressive ideas of charity to obtain, the society has secured the organization of the Newark Conference of Charities and Correction, which is successfully entering its second year. Its membership consists of delegates from twenty-seven societies and twenty-seven churches. Four or five public meetings are held each winter, at which speakers of note from out of town present the best methods and ideas of the phases of charitable work discussed, followed by a presentation of the local work followed with questions and discussion. Among the questions taken up have been the following: "Unity and System in Charity—How Can Our Charities Work Together?" "Newark's Provision for Helping Children" and "The Essentials of an Effective and Adequate System of Child-caring Work in any Community." "Delinquent Children; The Juvenile Court; Probation; Truancy; The Ungraded School." "Prison Reform and Work for Discharged Prisoners." "Relation of the Church to Charities and Correction."

Among the speakers have been Robert De Forest, Edward T. Devine, Homer Folks, Judge Robert J. Wilkin, Dr. Frederick H. Wines, Rev. Alois Fish, Bishop Edwin S. Lines, Rabbi Joseph Silverman; besides local speakers, including the Mayor, the County Judge, the Police Court Judge, the Probation Officer and the presidents of many of the institutions.<sup>1</sup>

**Charities and Correction in Baltimore and Maryland.**—Immediately after the great fire in Baltimore, in February, 1904, a committee of twenty-six representative citizens, on relief of need, was appointed by the Mayor, with Dr. Jeffrey R. Brackett as chairman. The committee adopted the following principles of action: That relief was to be given only to cases of actual need to secure the necessities of life, or to provide means by which sufferers

<sup>1</sup> Contributed by A. W. McDougall.



would be enabled to procure them; that there was to be no reimbursement against loss by fire; that relief should be adequate, regardless of the amount; that persons were expected to try every source available before applying to the committee for assistance; that all cases possible should be handled by established charitable organizations; that sufferers of various nationalities and affiliations should be dealt with by their own societies and associations; that careful and sympathetic investigation should be made in every case to determine the character and amount of need. The call of the committee was promptly and effectively responded to by churches, charitable organizations and public bodies, such as the State Employment Bureau. The committee found it necessary to engage only three employees. Later the legislature appropriated \$170,000 for the relief of need due to the fire. Of this amount only \$23,000 was expended, although every case requiring aid that came before the committee was liberally helped. The expenses of administering the relief were between 7 per cent. and 8 per cent. of the total expenditure; 1,063 different families were assisted.

In January a tuberculosis exposition was held in Baltimore, under the direction of the State Tuberculosis Commission, the State Board of Health and the Maryland Public Health Association. The exposition did a wide educational work both for Baltimore and the country. The legislature of 1904 passed a law providing for a new State Commission on Tuberculosis, carrying an appropriation of \$2,000. Another law provides that all cases of tuberculosis shall be reported to the State Board of Health and registered. It also provides for the disinfection of infected houses, and makes it a misdemeanor to rent an infected house before it has been disinfected. Another law provides that the offensive disposal of sputum shall be considered a nuisance and finable. In cases of pulmonary or laryngeal tuberculosis, attending physicians are required to report on forms provided by local boards of health what necessary precautions have been required by them to prevent infection. Physicians receive \$1.50 for each report. In case of the failure of physicians to report, the duty devolves on the local health board. Upon the requisition of the attending physician, materials for the prevention of infection are to be supplied by local boards, together with circulars of information as to methods of care and prevention. Failure to report a case or falsification is punishable with a fine of \$100. The State Commission, whose term expired early in 1904, made some valuable investigations into the facts concerning tuberculosis in the state, and have published the results in a report. The Johns Hopkins Hospital has opened a dispensary for the treatment of tuberculosis cases, to which is attached a trained nurse who visits patients in their homes. The Visiting Nurse Association also employs a trained nurse, whose work is confined to tuberculous cases. The supervisors of city charities are about to open a new hospital for tuberculous cases. A volunteer state society for the prevention of tuberculosis has been organized.

A site has been selected for the erection of an infectious diseases hospital by the city of Baltimore, and it is hoped that the hospital will be built in 1905.

The State Bureau of Industrial Statistics has inaugurated a campaign

against sweat shops, under a state law passed in 1902. The law provides that no shop shall be maintained in a dwelling where a family lives, or where other than the members of the family are employed, and requires a permit from the bureau. The permit is not issued unless there is 400 cubic feet of clear space for each employee and sanitary conditions are good. The infliction of fines under the law has had very beneficial results. Many contractors have moved families out of dwellings where shops were located and improved the sanitary environments. This bureau is also making an investigation into the industrial condition of negroes in Baltimore through the Police Department.

The juvenile court law of Baltimore was amended in 1904. Previously, one probation officer had been provided by private contributions. The law provides for three probation officers at a salary of \$1,200 per year each, to be appointed by the Supreme Bench of Baltimore. Three officers have been appointed, and are able to keep the work in reasonably good shape. They can be called on also by the other courts. They are authorized to investigate institutions to which children may be committed. A second law gives the magistrate the power to deal with parents. It increases his salary to \$2,500, and allows him a clerk and two police officers. A bill for a house of detention failed on account of the expense due to the great fire.

Another law allows the commitment of girls to institutions until 21 years of age, instead of 18, as formerly. Power is given to institutions to discharge minors when managers deem it beneficial to the minors; also power to require the return of minors placed with relatives or in homes, when the children's welfare requires it.

A law makes attendance at school for eight months a year, or during the scholastic year, of all deaf children in the state between 8 and 16 years of age compulsory, under penalty of a fine.

In Baltimore city the School Board has made arrangements with the Children's Aid Society to supply rooms for use as a truant school, under the compulsory education act. A number of parents have been fined, under the law, for not sending their children to school. It is expected that these steps will materially increase school attendance.

During the summer several new athletic grounds in the parks of Baltimore were opened. In all the parks instructors in athletics were provided through the generosity of a good citizen. This movement has made great headway.

At the instance of the State Lunacy Commission, a law was passed providing that from January 1, 1909, the state shall be charged with the maintenance, care, control and treatment of all dependent insane residents of the state; and that as soon as practicable after that date, the commission shall transfer from county and state almshouses and asylums to state hospitals such dependent insane residents as the commission thinks should be removed. Those removed shall be maintained at the expense of the state. The State Hospital for the Insane at Springfield is gradually increasing the number of its cottages. The Act of 1902, creating a Commission of State Aid and Charities, was repealed and re-enacted. The new law provides

for the appointment by the Governor of a board of seven, who are directed to meet at least quarterly and "investigate and consider the whole system of state aid to public and other institutions." It is empowered to investigate any institution financially aided by the state. It must report to the legislature and make recommendations as to the appropriations. The secretary of the board, who receives \$1,800 a year and traveling expenses, is required to inform himself as to the condition of institutions. He is to act as an adviser to the financial committees of the legislature, and make such investigations and reports as they may require; \$3,500 a year is appropriated for the expenses of the board. The legislature continues to make appropriations to private institutions, but the amount of these appropriations has not increased greatly in late years.

An act of 1904 provides that any person who shall without just cause desert or wilfully neglect to provide for the support and maintenance of wife or minor children, shall be punishable with a fine not exceeding \$100, or imprisoned in the House of Correction for not more than one year. The fine may be paid in whole or part to the wife. Before trial, with the consent of the defendant, or after his conviction, instead of inflicting the punishment or in addition thereto, the defendant may be required to pay a weekly sum for one year to his wife, and may then be released on probation, under bond to comply with the order. In case of forfeiture of bond, the fine may be paid in whole or in part to the wife.

Another act provides for the issuing, by a board of examiners, to be appointed by the Governor, of certificates entitling nurses to the title "registered nurse," subject to rigid conditions as to training, age and character.

About a year ago the Federated Charities Building was opened for the use of the Association for the Improvement of the Condition of the Poor, the Charity Organization Society and the Children's Aid Society. The building was provided by the Association for the Improvement of the Condition of the Poor from a legacy.\*

**The Sixty-first Annual Report of the New York Association for Improving the Condition of the Poor** is so interesting that it ought to have a much wider circulation than it needs for its own purposes. The report is signed by R. Fulton Cutting, president, and William H. Allen, general agent. Its authors have the rare faculty of visualizing for us the very real people with whom the Association has to deal. The art of putting things attractively is illustrated at the opening of the report, which begins as follows:

"Friends of our fresh air work at Sea Breeze will be pleased to learn that the stretch of sand that for so many summers had grown only rank marsh grass, produced not only flowers, but radishes, lettuce, beans, cucumbers, sweet corn, tomatoes and pumpkins. Tenement children reared in kitchens plunged headlong into the warm colors, and crippled children from the tent camp made a daily pilgrimage to gather bouquets for their nurses, and for their own dormitories and dining-room. Aged women were reminded of peasant life in Germany or Ireland. Yet all this happiness cost less

\* Contributed by John M. Glenn, Supervisor of City Charities, Baltimore, Md.

than \$100, despite the declaration of experts that it was simply impossible to achieve results worth while without first expending \$500 to \$1,000."

From the picture of Sea Breeze, one's thoughts are led to the work of the public bath houses, in which 233,000 baths were given during the year. In this connection, the Association has done a rather unusual thing in pointing out that the totals are for *baths* not *bathers*. The report shows (taking the Rivington Bath as an illustration) that assuming each patron of it goes at least once a week, the 750,000 baths given every week are enjoyed by some 14,000 individuals among a population of over half a million within walking distance. "If we assume that at least three members of a family patronize the bath weekly, we then have less than 5,000 families enjoying the benefits of that one bath. There is a limit to the distance which people are willing to walk, or which in very hot weather or very cold weather it is desirable that they should walk, in order to take a bath. Even cleanliness may cost too much. We have reached a point in the movement for public bath houses in New York when we must emphasize the necessity of baths as neighborhood facilities."

A unique development in relief work is the employment by the Association of "visiting cleaners" to supplement the work of the visiting nurses. "Our first cleaner was persuaded to try the work for one week. In that time she cooked meals for sick mothers, bathed their children, cared for unkempt heads, did a day's washing and thoroughly cleaned the house. At the end of that time she came to us and announced that it would be impossible for her to continue. In her words, 'I thought I knew all the smells there was, but I didn't.' We asked her if she had not realized that she had given happiness which neither the nurse, the physician nor the pastor could give." The "foster housewife" was persuaded to go on. Her work grew until we found four women who were willing to go into homes for the purpose of lifting temporarily the simple every-day domestic burden from sick mothers. Does any one believe that \$10 given in broken bread, in pennies and nickels, will give as much happiness and accomplish as lasting results at the service of the visiting cleaner, who for that sum can bring sunshine, happiness, cleanliness and fresh air to a score or more of homes?

Another new departure is the experiment conducted at Sea Breeze in the salt air treatment for children suffering from tuberculosis of the bones and glands. In the summer of 1903, Mr. John Seely Ward, Jr., inspected "various French hospitals for the treatment of tuberculosis. Upon his return, he reported that while in the treatment of children suffering from tuberculosis of the lungs, American methods are quite as advanced as those in France, the same cannot be said of our treatment of children suffering from non-pulmonary forms of tuberculosis. This seems all the more remarkable if it is remembered that when tuberculosis attacks children it is more frequently in the bones or lymph glands, or skin or abdominal organs, etc., rarely in the lungs. The American treatment in these cases differs from that of the French seaside hospitals in that here we attempt to arrest the tubercular process by operations, braces and indoor treatment.

"Letters of inquiry were written to a score of representative physicians

in American cities; with one exception they expressed the hope that an experiment be made. The New York Board of Health estimates that there are from four to five thousand children under fifteen years of age in New York City alone suffering from non-pulmonary forms of tuberculosis. At least three-fourths of these are to be found in the tenement districts. The urgency of the need was apparent.

"It was a pathetic group of children who came to us on June 6th, so weak and emaciated that it was necessary to send one adult for each child. It is not an exaggeration to say that at the present time it would be difficult to select among normal children in our tenement districts fifty who look as happy, as ruddy, as rugged as those among our earliest patients who have remained until the end of the summer. Our chief regret is that so few of the medical practitioners and the laymen interested in the crusade against consumption have been able to see for themselves the life at our camp." The success of the experiment has been so marked that it is to be continued throughout the winter.

It would be impossible in the space *THE ANNALS* can give to this report, to more than barely indicate the spirit and character of the splendidly progressive work of the Association.

With regard to the high cost of professional service Dr. Allen says: "In spite of careful economy relief work becomes more costly as it becomes better. For instance, we have to employ an increased number of visitors, not only because we are called upon to investigate the increased number of families, but also because we find that each family needs, for such relief as will restore its self-dependence, an increased amount of attention and thought. To be effective, this attention and thought call for a high degree of intelligence, sympathy and patient skill on the part of each visitor, who deserves and must receive an adequate compensation.

"We are aware that a question still lingers in the minds of many, even among contributors to work like ours, as to the proper proportion between the amount given in relief and the expense of administering that relief. But this question is really unimportant compared with the inquiry, 'What is the character of the assistance rendered by our visitors to those whose needs are brought to our attention?'

"For sixty odd years this Association has labored to eradicate vagrancy; at times, we, like others, have placed the emphasis upon the unworthiness, the meanness and the viciousness of the vagrant. Will you not as contributors help us now to establish more generally in the public mind what to us is a truism? It is cruel, it is inhumane, it is unchristian to give a man a nickel who needs two weeks in the hospital. It is unchristian to permit an aged woman to go from door to door suffering rebuffs and abuse and scorn, appealing for an undergarment to keep her warm, when by co-operating with others we can place that aged woman in a comfortable home. Mendicancy thrives because the mendicant is given too little; because he receives that which hurts and demoralizes instead of that which cures and elevates. The alms given to a professional beggar are almost invariably both the incentive and the means of further degradation. The vagrant who comes to us affirm-



ing his desire to re-establish himself is given not merely a night's lodging, a pair of shoes or two meals, but is given a chance. Our interest does not disappear with the first word of advice or the first material relief. It continues just as long as the applicant will make an effort to gain a footing."

During the year the Association has added 506 contributors, and \$10,452 to its general fund, and 202 contributors and \$2,772 to the Fresh Air Fund, an achievement which indicates the general appreciation by the community of the merits of the excellent work which the Association is doing.<sup>3</sup>

The New Jersey State Home for Girls, situated at Trenton, occupies eighty acres, sixty being under cultivation and twenty woodland. It is an ideal spot, being about the highest point in Trenton. An abundance of plain, well-cooked food, regular hours and duties keep the girls in good health. No fences mar the view, and as far as possible the individual home life idea is carried out. Ninety girls are housed in a large rambling building, and thirty-six in the Honor or Voorhees cottage.

It is out of the question to make the classifications necessary to bring about the proper results where so many girls are housed under one roof, with but thin plaster partitions separating them. Girls who have been tempted to take money from their parents, but who have otherwise been blameless in their lives, should not be associated with girls taken from disorderly houses. Little can be accomplished where so much opportunity is afforded to "swap" experiences. If the legislature will grant an adequate appropriation it will enable the board to undertake a large and important work. Many years ago it was demonstrated that the congregate system is very unsatisfactory, that the nearer we can approach the home life the better the results. Two additional cottages are needed, with perhaps a one-story building to be used as an infirmary. With our present accommodations, diseased girls are difficult to isolate, and in case of contagious illness we have no provision at all for their care.

Where girls show a fitness for higher education this is developed. Early this fall one girl was entered in an educational institution outside of the state, the necessary funds being secured through private sources, as the state cannot spend its funds outside of its own boundaries; another girl was entered in a large hospital to be trained as a nurse, and the board has now under consideration the training of a girl to be a stenographer and of still another as a teacher.

The daily routine of the home is as follows: The girls in the kitchens and the two laundries are in their departments soon after six every morning but Sunday. The others leave their rooms for the lavatories at seven, each girl taking her towel and wash cloth with her; the half hour before breakfast is occupied in sweeping the individual bed-rooms (twice a week scrubbing them). The beds are stripped and the windows opened when the girls go down for breakfast. From the dining-room they go to morning service, the three families meeting in separate rooms. This service consists of the Lord's Prayer, a prayer by the officer in charge, one or two hymns selected by the

<sup>3</sup> Contributed by Hugh F. Fox.

girls themselves and the preparation of a part of the lesson for the following Sunday. After this the girls go to their rooms for the purpose of making their beds, and they are then dismissed to the different playgrounds until nine o'clock, when every girl goes to a department—kitchen, dining-room, laundry, bakery, sewing-room or cleaning of the halls. At twelve they go to dinner; at half past twelve to recess. At one o'clock all return to their rooms, except those employed in the kitchens and dining-rooms, who do not have their full recess and must remain in their departments until all evidences of the mid-day meal have disappeared. At two all go to school and remain until five, when a full hour's intermission brings them to supper time. At half past six the three families meet in the assembly room, sitting separately in regular places, doing fancy work—hemstitching, drawn work or crocheting. During this half hour some one reads or recites or all sing some favorite melody, accompanied by the piano. At seven, all the kitchen and dining-room girls have joined the others, then fancy work is put away and a full half hour is given to physical culture exercises; then after a hymn and a prayer they march to their rooms sufficiently tired out by the rhythmical exercises to go right to bed and to sleep. To be prevented from participating in these evening exercises is considered a great punishment. A girl deprived of this privilege one evening will gladly apologize and behave herself the next evening, if allowed to join the circle.

In addition to the festivities on the various holidays, there was a lawn party on the grounds of one of our friends in Trenton, when fifty-four of our girls who had not been marked were entertained in a way not to be forgotten. Fifty girls who had not been marked visited the State Fair, were provided with seats on the grand stand and behaved themselves in a way to please all our friends. This trip to the fair meant a ride on a trolley and a transfer to another and mingling in a crowded assembly, but without a single instance of the slightest misconduct, and yet there was no disposition on the part of anyone to perceptibly restrain them. Small groups of girls have been taken to the stores and churches that they may be familiarized with general conditions of ordinary life, and the results have been most satisfactory.

Our girls have come to us through failure of their natural guardians to care for them. They do not come to us to be punished, but to be trained for lives of usefulness. We deny them privileges rather than inflict punishment, and try to develop the best in their nature. Human nature is very much the same everywhere, and what is good for a girl in her own home helps a girl in the state home.\*

**The National Congress of Mothers.**—The purpose of the Congress is to extend the influence of earnest, thoughtful motherhood, so that it shall reach the childhood of the world. The universal needs of childhood are considered by the Mothers' Congress with the determination to provide the best opportunities for the development of every child. Whatever thwarts or furthers this purpose comes legitimately into the work of the Congress. The protection of children leads into many departments of work.

\* Contributed by Elizabeth V. H. Mansell.

There must be sentiment in the work, for love is the atmosphere of motherhood, but with the sentiment, there must be good practical common sense, knowledge of child-nature and its needs, and insight into the causes which make or mar the childhood of the race. The organization of a national body of women whose purpose is the guardianship of every child is a strong factor in raising the standard of the nation.

A good home is the most powerful influence for good that can surround children. Parents who comprehend child-nature and make it their first duty to care wisely for their children, make a good home, whether it is in the poorest cottage or the richest palace. Therefore the effort to reach and elevate every home becomes necessary if children are to develop as they should. Many people, educated on other lines, have little or no understanding of how to bring up a child.

The Congress has received the help of the educators, physicians, psychologists and specialists in many fields, and has become a national directory for all who desire to study child life in the light of careful research. The most effective method of work is by establishing child study circles, mothers' clubs or parents' associations in every school.

The Congress has prepared outlines for study, suggestive book lists for mothers and children, and programs for many meetings, which are of practical help to mothers and fathers. The school gains the sympathetic co-operation of its patrons, and in educational and financial lines is the gainer thereby, while the benefit to the children cannot be estimated. The two strongest influences in child life are home and school, and to make them pull together is very necessary to the attainment of the best results.

The Congress has made an exhaustive study of legislation affecting childhood, and also of conditions throughout the whole country. It recognizes a great lack of mother-thought in legislation protecting children's interests. It has been successful in winning the support of legislators in its efforts to build up in each state an adequate system of laws. The state stands above the parent, and should insist on the provision of such conditions as will give to every child the chance which is his inherent right, to develop normally.

The juvenile court and probation system were endorsed by the Congress soon after their establishment in Chicago, and should be introduced in every state. When efficiently administered, it is a very effective way of preventing crime, because it takes the child at his first downward step that gives him help rather than punishment. The Congress believes that massing children in reformatories has been productive of much harm, and it stands for individual treatment.

The Congress stands for the appointment of probation officers who have made child-study a specialty, and whose patience and love of children makes the work a joy. It also stands for the appointment of sufficient probation officers to give individual and frequent attention to each child. Otherwise probation work fails of its best results. The establishment of child labor laws, that do not deprive children of habits of industry, and do not interfere with physical and mental growth, has been, likewise, an important feature of the Congress work.

The Congress has been further obliged to consider the laws governing marriage and divorce, because the alarming increase of divorces, and the lack of uniformity in marriage and divorce laws which make divorce easy, seriously affect children.

The National Congress of Mothers received earnest and persistent appeals from the home-loving Christian women of Utah to come to their aid in protecting their homes from the degrading influences of the polygamous and treasonable teachings and practices of the Mormon hierarchy. Investigation proved that the appeal was not made without reasons so grave that they could not be ignored. The result of this call from the Congress of Mothers was the organization of a National League of Women's Organizations, which has made concerted work possible, for the sole purpose of the League is "To defend the country against the polygamous and treasonable practices of Mormonism, and to maintain Christian standards of marriage." The Congress has shared with other organizations in defraying the expense of counsel in the Smoot investigation. It has arranged many meetings to disseminate facts concerning conditions in Utah and adjoining states which rap at the foundations of home life.

Protection of home and childhood made it necessary to take decisive measures for their defense. Thus it is, that while the main work of the Congress is constructive and educational, in the exigency of this grave menace to the honor of womanhood, and the purity of home, it has been compelled to act in their defense.

Motherhood, in its highest sense, extends loving care to the childhood of the world. It recognizes a God-given trust in the care of His little ones, and in order to fulfill this trust, the National Congress of Mothers has been formed.<sup>a</sup>

<sup>a</sup> Contributed by Mrs. Frederic Schoff, President National Congress of Mothers.

